



# Consolidated Financial Report for the First Quarter of The Fiscal Year Ending March 31, 2020 <Japanese GAAP>

August 9, 2019

Tokyo Stock Exchange

Company: Chikaranomoto Holdings Co., Ltd,

Stock Code: 3561 URL <http://www.chikaranomoto.com/>

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Scheduled Date of Q1 report August 9, 2019 Scheduled Date of submission Dividend Payments: -

Preparation of Supplementary Explanation Material for Financial Results: Yes

Presentation Meeting for Financial Results: No

1. Q1 Financial Year Ending March 31, 2020 (April 1, 2019 – June 30, 2019) (Rounded down to the nearest million yen)

(1) Results of Consolidated Operations (% indicates variance from the previous fiscal year)

	Revenue		Operating Income		Ordinary Income		Income Attributable to the Company	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Q1 FY2019-20	7,223	14.0	100	14.8	70	-13.8	120	108.2
Q1 FY2018-19	6,334	9.8	87	-15.3	82	-34.1	57	-45.6

Note: Comprehensive Income Q1 FY2019-20 52 million JPY (-51.6%) Q1 FY2018-19 109 million JPY -%

	Earnings per share	Earnings per share after adjusting for dilution
	Yen	Yen
Q1 FY2019-20	5.11	5.01
Q1 FY2018-19	2.48	2.39

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	million JPY	million JPY	%
Q1 FY2019-20	16,175	4,697	26.7
FY2018-19	16,392	4,724	26.4

Reference: Shareholders' Equity Q1 of FY 2019-20 4,325 million yen FY2018-19 4,322 million yen

2. Dividends

	Dividends per share (annual)				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2018-19	-	4.00	-	4.00	8.00
FY2019-20	-				
FY2019-20(Forecast)		4.00	-	4.00	8.00

Note: Changes from previously announced dividends projection: None

### 3. Forecast of Consolidated Operating Performance for the FY 2019-20 (April 1, 2019 to March 31, 2020)

(% indicates variance from the previous period or quarter)

	Revenue		Operating Income		Ordinary Income		Income Attributable to the Company		Earnings per share
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	Yen
Half Year (up to Q2)	14,481	10.4	424	7.8	382	-6.8	297	-22.5	12.60
FY2019-20	30,010	9.3	1,150	20.1	1,072	16.2	700	13.9	29.62

Note: Changes from previously announced projection: None

#### Notes

- (1) Changes in key subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (2) Any specific methods used to account for the quarterly financial results: None
- (3) Changes in accounting policies, accounting estimates, and restatement of error corrections:
  - 1) Changes in accounting policies arising from revision of accounting standards: None
  - 2) Changes in accounting policies due to reasons other than 1): None
  - 3) Changes in accounting estimates: None
  - 4) Restatement of prior period financial statements after error correction: None

#### (4) Total Number of Issued Shares (Common stock)

① Total number of issued shares at the end of period (including treasury shares)	As of June 30, 2019	23,757,800Shares	As of March 31, 2018	23,693,500Shares
② Total number of treasury shares at the end of period	As of June 30, 2019	89,600Shares	As of March 31, 2018	89,600Shares
③ Average number of shares during the period (accumulative during the quarter)	As of June 30, 2019	23,634,749Shares	As of June 30, 2018	23,341,403shares

Note:

1 The total number of treasury shares at the end of period includes those treasury shares held under the Employee Stock-ownership Program (ESOP) (at the end of Q1 of FY2019-20 89,600 shares and at the end of the previous fiscal year 89,600 shares). Also, these treasury shares are excluded from the calculation of the average number of shares during the period (at the end of Q1 of FY2019-20 89,600 shares and at the end of the previous fiscal year 52,287 shares).

These quarterly consolidated financial reports (Tanshin) are exempt from the audit procedures by certified public accountants or audit firms.

#### Cautionary Statement on the forecast of consolidated financial performance and other notes

##### (Cautions concerning forward-looking statements)

Performance forecasts presented herein are based on the information available to Chikaranomoto Holdings Co., Ltd. and its subsidiaries (the "Company") as of the date of this document. Accordingly, there remains the possibility that the actual performance results may differ from projections. For the premises underlying the forecasts as well as cautionary statements regarding the usage of such forecasts, please refer to the "Explanation related to the forecast of consolidated financial results and other forward-looking statements" of the "Qualitative information concerning Consolidated Business Results" section in this document (page 7).

#### (Supplementary Explanation Material)

Supplementary Explanation Material for Quarterly Financial Results are available via TDnet on the same day.

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## 1. Qualitative information concerning Consolidated Business Results

The forward-looking statements in the below are based on the information available to the Company at the end of the first quarter of the current consolidated financial period.

### (1) Explanation on operating results

During the first quarter of the current consolidated financial period, the domestic economy experienced a gradual recovery propelled by the growth of corporate sector, which helped improve the employment and wages situations. Internationally, there remain uncertainties ahead in the economy due to the trade disputes between China and the USA arising from the latter's protectionist trade policies as well as a potential "Brexit" of the United Kingdom from the EU.

Within the restaurant sector where the Company operates, domestically there is a heightened level of competition involving such players as convenience store chains and ready-to-eat meal operators. Additionally, the wages are increasing due to shortage of labor, the raw materials and logistics costs are increasing and the construction cost continue to increase due to the Olympics, which all pose challenges to the management of the Company.

While there continues to be new players in the market, internationally, the interest on Ramen and Japanese food in general contributes to the expansion of the overall market (according to "Publication of the survey of the number of Japanese restaurants abroad" by Ministry of Agriculture, Forestry and Fisheries, 2018) and the Company remains hopeful that its business will continue to grow.

With the above in mind, the Company stays true to its principle of "Keep Changing to Remain Unchanged" and continues to spread Ramen and Japanese Food as culture by opening more stores, aiming to realize "600 stores all over the world by the year 2025." At the end of the first quarter of the current consolidated financial period, the number of stores including those in licensed areas totaled 273 stores (Japan 154, International 119).

As a result, the consolidated revenue for the first quarter of the current consolidated financial period totaled 7,223 million yen (an increase of 14.0% compared to the previous period). The operating income was 100 million yen (an increase of 14.8%) which is a result of improved margins from increased revenue off-setting the rise in Sales, General and Administrative expenses primarily in the Domestic Store Operations Segment, caused by the increases in wages and logistics costs. Ordinary income was affected by foreign exchange-related losses and resulted in 70 million yen (a decrease of 13.8%) but the Quarterly Income Attributable to the Company, pushed upwards by the booking of sales of investment securities etc., resulted in 120 million yen (an increase of 108.2%).

### Explanation by segments

#### (Domestic Store Operations)

There were 2 additions under the IPPUDO brand, 1 under "Ramen Express", 1 under "Panda Express", and 1 under "Najimatei", totaling 5 new stores. Subtracting 2 closures under the IPPUDO

brand, the total number of stores under this segment at the end of the first quarter of the current consolidated financial period was 146 stores (3 net increase).

There were continuous improvements on operating style of existing stores as well as certain renovations to improve QSC (Quality, Service, Cleanliness). From June 1, the IPPUDO stores revised its prices too, aiming to improve average spending per customer.

The resulting revenue during the first quarter of the consolidated financial period, propelled by the recovery in the number of customers in the existing stores and the contribution from the price revisions, resulted in 4,037 million yen (an increase of 10.0% compared to the same period of the previous fiscal year). The segment income resulted in 104 million yen (a decrease of 7.2%) which was the result of cost reduction drive through increased productivity on its production processes being off-set by the upwards pressure of wages and raw materials as well as logistics cost in delivering materials to the stores.

#### (International Store Operations)

Under this segment, there were 3 new IPPUDO stores in China, 1 in Taiwan, 1 in Myanmar while one IPPUDO store closed in China. The total number of stores at the end of the quarter was 119 (4 net increase).

Helped by the above openings and the fact that the Taiwan operations was consolidated during the previous fiscal year, the revenue from this segment increased significantly by 24.6%, resulting in 2,422 million yen. The income from the segment increased by 16.7%, helped by the increase in royalty income from its licensed areas.

#### (Domestic Production and Merchandise)

This segment continues to expand its sales network evolving around its core item “Ouchi-de-IPPUDO” ready-to-eat meals as well as improving its management and productivity.

As such, the revenue from the segment during the first quarter of the current consolidated financial period resulted in 503 million yen (an increase of 2.1%) and its income 6 million yen (an increase of 453.5%) helped by its cost reduction drives.

#### (Others)

Others segment saw an improved brand awareness helped by media exposure of its brands Ichika-Bachika, a Hakata-Udon brand and a part of its incubation trials, and Inaba Udon, a 68-year classic brand of Hakata Udon.

The above resulted in an increased number of customers at the stores and the segment revenue at the end of first quarter of the consolidated financial period was 259 million yen (an increase of 14.5%) and its segment loss was 7 million yen (9 million yen loss during the same period of the last fiscal year).

The total number of stores, by segment, by market and by brands are indicated in the chart below:

Segment	Country/Region	Brand	Store count at the end of previous period	Whereas licensed stores	Increase/ Decrease	Store count at the end of FY2018-19	Whereas licensed stores
Domestic Store Operations	Japan	IPPUDO	93	9	-	93	9
		RAMEN EXPRESS	31	-	+1	32	-
		Others	19	-	+2	21	-
Others		Ichika Bachika	2	-	-	2	-
		Inaba Udon	6	-	-	6	-
Domestic Total			151	9	+3	154	9
International Store Operations	United States	IPPUDO	6	-	-	6	-
		KURO - OBI	5	-	-	5	-
	Singapore	IPPUDO	7	-	-	7	-
		IPPUDO EXPRESS	3	-	-	3	-
		Others	1	-	-	1	-
	China (including Hong Kong)	IPPUDO	31	31	+2	33	33
		GOGYO	1	1	-	1	1
	Taiwan	IPPUDO	10	-	-	10	-
		IPPUDO EXPRESS	1	-	+1	2	-
	Australia	IPPUDO	7	2	-	7	2
		GOGYO	1	-	-	1	-
	Malaysia	IPPUDO	5	5	-	5	5
	Thailand	IPPUDO	16	16	-	16	16
	Philippines	IPPUDO	9	9	-	9	9
	Indonesia	IPPUDO	4	-	-	4	-
	United Kingdom	IPPUDO	3	-	-	3	-
	France	IPPUDO	3	-	-	3	-
	Myanmar	IPPUDO	1	1	+1	2	2
	Vietnam	IPPUDO	1	1	-	1	1
	International Total			115	66	+4	119
Group Total			266	75	+7	273	78

Note: Licensed stores included in the total count are indicated in separate columns.

## (2) Explanation on financial position

### - Assets

There was a decrease of 217 million yen compared to the end of the previous fiscal year, resulting in 16,175 million yen of total assets at the end of the first quarter of the current fiscal year. This is a result of an increase of tangible non-current assets of 236 million yen, a decrease in cash and cash equivalents of 176 million yen, a decrease of 137 million yen of other current assets, and a decrease of 154 million yen of its investment securities due to its sales.

- Liabilities

The liabilities at the end of the first quarter of the current consolidated financial period resulted in a decrease of 190 million yen, at 11,477 million yen, the main reason for which a decrease of payables by 184 million yen.

- Net Assets

At the end of the first quarter of the current consolidated financial period, the net assets decreased by 27 million yen, totaling 4,697 million yen and its equity ratio at 26.7%. there was an increase of retained earnings of 120 million yen from its quarterly income attributable to the Company from the current fiscal year, a decrease of 66 million yen of its investment securities adjustment account from its sales of investment securities, and a payment of dividends which reduced its retained earnings by 94 million yen.

(3) Explanation related to the forecast of consolidated financial results and other forward-looking statements

There are no changes to the forecast for the consolidated financial results for FY2019-20 from the forecast made public on May 10, 2019.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous Fiscal Year (ended March 31, 2019)	1 <sup>st</sup> Quarter of Current Fiscal Year (ended June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	3,615,246	3,438,842
Notes and accounts receivable - trade	516,708	502,600
Inventories	360,332	366,700
Other	1,301,182	1,163,665
Allowance for doubtful accounts	-895	-831
Total current assets	5,792,574	5,470,977
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	5,805,089	5,992,810
Machinery, equipment and vehicles (net)	309,571	303,471
Land	633,495	633,495
Leased assets (net)	58,075	53,377
Construction in progress	82,040	127,771
Other (net)	479,177	493,317
Total tangible non-current assets	7,367,450	7,604,243
Intangible non-current assets		
Goodwill	253,526	245,161
Leased assets	6,917	4,811
Other	75,790	80,378
Total intangible non-current assets	336,234	330,351
Investments and other assets		
Investment securities	429,235	274,375
Long-term loans receivable	4,449	4,262
Deferred tax assets	443,432	469,857
Lease and guarantee deposits	1,750,633	1,730,455
Other	271,460	293,325
Allowance for doubtful accounts	-2,718	-2,718
Total investments and other assets	2,896,493	2,769,559
Total non-current assets	10,600,178	10,704,153
Total assets	16,392,753	16,175,131

(Unit: thousand yen)

	Previous Fiscal Year (ended March 31, 2019)	1 <sup>st</sup> Quarter of Current Fiscal Year (ended June 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	701,619	698,881
Short-term loans payable	50,000	-
Current portion of bonds	14,000	14,000
Current portion of long-term loans payable	1,743,088	1,658,514
Lease obligations	23,624	20,713
Accounts payable - other	1,429,995	1,245,489
Income taxes payable	248,894	132,726
Provision for bonuses	2,700	22,803
Asset retirement obligations	18,369	5,159
Other	903,317	961,438
Total current liabilities	5,135,610	4,759,725
Non-current liabilities		
Bonds payable	151,000	151,000
Long-term loans payable	5,232,806	5,394,626
Lease obligations	38,262	34,107
Provision for ESOP benefits for domestic residents	14,624	18,178
Provision for ESOP benefits for non-residents	1,822	911
Net defined benefit liability	230,522	232,382
Asset retirement obligations	673,867	693,285
Other	189,488	193,364
Total non-current liabilities	6,532,394	6,717,855
Total liabilities	11,668,004	11,477,580
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,266,774	1,274,178
Capital surplus	1,179,178	1,186,582
Retained earnings	1,680,407	1,706,377
Treasury shares	-99,278	-99,278
Total shareholders' equity	4,027,081	4,067,859
Accumulated other comprehensive income		
Valuation difference on investment securities	158,774	91,947
Foreign-exchange adjustments	136,969	166,138
Total accumulated other comprehensive income	295,743	258,085
Non-controlling interests	401,923	371,605
Total net assets	4,724,748	4,697,550
Total liabilities and net assets	16,392,753	16,175,131

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

Quarterly Consolidated Statement of Income

1<sup>st</sup> quarter of the consolidated financial period

(Unit: thousand yen)

	Q1 of Previous Fiscal Year (from April 1, 2018 To June 30, 2018)	Q1 of Current Fiscal Year (from April 1, 2019 To June 30, 2019)
Net sales	6,334,216	7,223,182
Cost of sales	1,772,001	2,077,481
Gross profit	4,562,215	5,145,701
Selling, general and administrative expenses	4,474,328	5,044,842
Operating profit	87,886	100,858
Non-operating income		
Interest income	307	465
Dividends income	11	1
Investment income using equity method	2,566	2,991
Foreign exchange income	8,461	-
Lease income	5,454	9,778
Other	4,538	3,427
Total non-operating income	21,340	16,665
Non-operating expenses		
Interest expense	21,151	20,931
Foreign exchange losses	-	14,160
Cost of lease income	1,467	4,951
Other	4,424	6,599
Total non-operating expenses	27,043	46,643
Ordinary Income	82,183	70,880
Extraordinary income		
Gain on sales of non-current assets	57,318	1,812
Gain on sales of investment securities	-	94,423
Total extraordinary income	57,318	96,236
Extraordinary losses		
Loss from sales of non-current assets	-	6,820
Loss from retirement of non-current assets	830	10,033
Impairment loss	100,638	-
Other	7,726	5,852
Total extraordinary losses	109,194	22,706
Quarterly income before tax adjustments	30,307	144,409
Income, resident and business taxes – current	59,460	50,553
Income etc. taxes – adjustment	-69,688	3,306
Total income etc. taxes	-10,227	53,860
Quarterly net income	40,534	90,549
Loss attributable to non-controlling interest (-)	-17,450	-30,194
Quarterly net income attributable to the Company	57,985	120,743

Quarterly Consolidated Statement of Comprehensive Income  
1<sup>st</sup> quarter of the consolidated financial period

(Unit: thousand yen)

	Q1 of Previous Fiscal Year (from April 1, 2018 To June 30, 2018)	Q1 of Current Fiscal Year (from April 1, 2019 To June 30, 2019)
Quarterly Net income	40,534	90,549
Other comprehensive income		
Valuation difference on investment securities	203,231	-66,826
Foreign-exchange adjustments	-134,640	29,045
Total other comprehensive income	68,591	-37,780
Quarterly comprehensive income	109,126	52,768
Quarterly comprehensive income attribution:		
Quarterly comprehensive income attributable to the Company	150,434	83,086
Quarterly comprehensive income attributable to non-controlling interests	-41,308	-30,317

### 3) Notes on Consolidated Financial Statements

- Notes on premise of going concern

There are no items to report

- Notes any significant variance on shareholder equity

There are no items to report

- Change in accounting policies

There are no items to report

- Change in accounting estimates

There are no items to report

Segment information etc.

(Segment information)

1 Previous accumulated period up to 1<sup>st</sup> quarter of FY2018-19 (from April 1, 2018 to June 30, 2018)

(1) information related to revenue and profit (or loss) by reporting segment

(Thousands of Yen)

	Segment				Others (Note 1)	Total	Adjustment (Note 2)	Results on Consolidated Financial Statements (Note 3)
	Domestic Store Operations	International Store Operations	Domestic Production & Merchandise	Total				
Revenue								
Sales to External Customers	3,669,884	1,943,917	493,482	6,107,284	226,932	6,334,216	-	6,334,216
Internal Sales or Transfer of accounts	-	-	-	-	-	-	-	-
Total	3,669,884	1,943,917	493,482	6,107,284	226,932	6,334,216	-	6,334,216
Segment Income or (Loss)	112,678	132,526	1,194	246,400	-9,222	237,177	-149,290	87,886

Notes

(1) "Others" includes such business units as International Manufacturing and Sales, Consulting and Agricultural training units.

(2) Adjustment -149,290 thousand yen is the corporate overhead. The corporate overhead is sales, general and administrative expenses not allocated to any of the business segments.

(3) Segment profit or loss is adjusted in accordance with operating income of Quarterly Consolidated Financial Statements.

(2) Impairment of non-current assets and goodwill per segment.

(Important Impairment of non-current assets)

Within the Domestic Store Operations segment, there was a booking of impairment loss amounting to 100,638 thousand yen pertaining to planned closure of certain stores during the first quarter of the previous consolidated financial period.

Current accumulated period up to 1<sup>st</sup> quarter of FY2019-20 (from April 1, 2019 to June 30, 2019)

(1) information related to revenue and profit (or loss) by reporting segment

(Thousands of Yen)

	Segment				Others (Note 1)	Total	Adjustment (Note 2)	Results on Consolidated Financial Statements (Note 3)
	Domestic Store Operations	International Store Operations	Domestic Production & Merchandise	Total				
Revenue								
Sales to External Customers	4,037,284	2,422,430	503,634	6,963,349	259,833	7,223,182	-	7,223,182
Internal Sales or Transfer of accounts	-	-	-	-	-	-	-	-
Total	4,037,284	2,422,430	503,634	6,963,349	259,833	7,223,182	-	7,223,182
Segment Income or (Loss)	104,554	154,623	6,611	265,790	-7,817	257,972	-157,114	100,858

Notes

(1) "Others" includes such business units as International Manufacturing and Sales, Consulting and Agricultural training units.

(2) Adjustment -157,114 thousand yen is the corporate overhead. The corporate overhead is sales, general and administrative expenses not allocated to any of the business segments.

(3) Segment profit or loss is adjusted in accordance with operating income of Quarterly Consolidated Financial Statements.

(2) Impairment of non-current assets and goodwill per segment.

No item to report.