



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



November 8, 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 submission November 8, 2019 Scheduled Date of Dividend Payments: December 3, 2019

Preparation of Supplementary Explanation Material for Financial Results: Yes

Presentation Meeting for Financial Results: Yes (for institutional investors and analysts)

1. Q2 Financial Year Ending March 31, 2020 (April 1, 2019 – September 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 | % |
| Q2 FY2019-20 | 14,772 | 12.6 | 449 | 14.4 | 399 | -2.7 | 386 | 0.5 |
| Q2 FY2018-19 | 13,116 | 11.4 | 393 | 7.4 | 410 | 0.2 | 384 | 6.0 |

Note: Comprehensive Income Q2 FY2019-20 92 million JPY (14.3%) Q2 FY2018-19 80 million JPY -79.2%

| | Earnings per share | Earnings per share after adjusting for dilution |
|--------------|--------------------|---|
| | Yen | Yen |
| Q2 FY2019-20 | 16.33 | 16.03 |
| Q2 FY2018-19 | 16.45 | 15.85 |

(2) Consolidated Financial Position

| | Total Assets | Net Equity | Equity Ratio |
|--------------|--------------|-------------|--------------|
| | million JPY | million JPY | % |
| Q2 FY2019-20 | 16,120 | 4,748 | 27.5 |
| FY2018-19 | 16,392 | 4,724 | 26.4 |

Reference: Shareholders' Equity Q2 of FY 2019-20 4,427 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 | - | 4.00 | | | |
| FY2019-20 (Forecast) | | | - | 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 |
| FY2019-20 | 30,010 | 9.3 | 1,150 | 20.1 | 1,072 | 16.2 | 700 | 13.9 | 29.58 |

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) | Q2 FY2019-20 | 23,805,200Shares | As of March 31, 2019 | 23,693,500Shares |
| ② Total number of treasury shares at the end of period | Q2 FY2019-20 | 89,601Shares | As of March 31, 2019 | 89,600Shares |
| ③ Average number of shares during the period (accumulative during the quarter) | Q2 FY2019-20 | 23,664,132Shares | As of September 30, 2019 | 23,376,653shares |

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 Q2 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 Q2 of FY2019-20 89,600 shares and at the end of the Q2 of FY2018-19 15,178 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

Following forward-looking statements are based on the information available to the Company at the end of the second quarter of the current consolidated financial period.

(1) Explanation on Operating Results

As for the overall economic environment during the second quarter of the current consolidated financial period, the domestic economy saw continuous improvement in the employment market helped by the growth of the corporate performance, while the macro-economic growth remains flat. Internationally, there remain many elements of political and economic uncertainty ahead that leave anxiety in the future from such issues as the trade dispute between the USA and China, potential “Brexit” of the United Kingdom from the European Union, as well as prolongation of demonstrations in Hong Kong.

Within the restaurant industry in which the Company operates, domestically, there are upward pressure on the wages due to shortage of labor force, heightened raw materials costs as well as increasing logistics costs. Additionally, the traditional border line between “dining-out” and “eating-in” has become blurred, and the competition continues to be fierce from many non-traditional players in the market.

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 second quarter of the current consolidated financial period, the number of stores including those in licensed areas totaled 276 stores (Japan 156, International 120).

Helped by the strong performance of the existing stores in the Domestic Store Operations segment, as well as the continued growth in the International Store Operations segment despite the uncertainties indicated above, the results of the second quarter of the current consolidated financial period is as follows: the Revenue totaled 14,772 million yen (a 12.6% increase from the same quarterly period of the previous financial period). Operating profit saw increase in the wages and logistics costs in Japan, which was offset by a strong growth in the international segment, and resulted in 449 million yen (14.4% increase). Ordinary profit was affected by the booking of the foreign-exchange related loss (previous year was a gain), and resulted in 399 million yen (2.7% decrease). With a contribution from the sales of investment securities and minimal extraordinary losses, the quarterly net profit attributable to the Company was 386 million yen (0.5% increase).

Explanation of the Results by Segment

(Domestic Store Operations)

The Company opened 2 new stores under IPPUDO brand, 3 under Ramen Express, 2 under Panda Express, 1 under Najimatei in this segment. In total, while there were 8 new openings, there were 2 closures under IPPUDO and 1 under Ramen Express. The total number of stores at the end of the second quarter of the current consolidated financial period was 148 (an increase of 5 stores compared to the end of the previous fiscal year).

In addition to the above openings, the performance of the segment was further enhanced by the pricing strategy in the IPPUDO brand in June which did not result in a decrease in the guest count at stores while increasing the average spending, as well as such events and promotions as “Beer-Ramen” and “Respect for the Elderly” and strategic seasonal and regional promotions and items. These resulted in an increased guest visits and the existing stores showed solid performance, resulting in the overall revenue of 8,430 million yen (10.0% increase) for the accumulated period until the end of the second quarter. The segment profit, suffering from the increased wages, raw materials and logistics costs, the while Company continues to implement supply chain optimization drives, resulted in 379 million yen (7.3% decrease).

(International Store Operations)

Under the IPPUDO brand, there were 4 openings in China, 1 in Myanmar, 1 in the USA, 1 in Indonesia, 1 in Vietnam, and in the IPPUDO Express brand 1 store opened in Taiwan, which resulted in the overall increase of 9 stores, while there were 2 closures of IPPUDO stores in China and 1 in Singapore under IPPUDO Express and 1 more under “Others” category. Consequently, at the end of the second quarter of the current consolidated financial period, the total number of stores under the segment resulted in 120 (an increase of 5).

The operating results in this second accumulative quarter are as follows: revenue 4,770 million yen (20.2% increase) helped by the new store openings and the addition of the Taiwan business which was consolidated last year. The segment profit, with an increase in royalties income in addition to the above openings, resulted in 310 million yen (13.6% increase).

(Domestic Production and Merchandise)

This segment primarily focused on the expansion of sales of its signature items under “Ouchi-de-IPPUDO” and on productivity improvement through restructuring activities of its operating organization.

As a result, the revenue totaled 1,038 million yen (4.3% increase), and the segment profit recorded 36 million yen (178.8% increase) helped by cost-reduction initiatives achieving certain results.

(Others)

The 68-year old classic brand “Inaba Udon” performed strongly in this segment and the revenue

under this segment for the second quarter of the current consolidated financial period resulted in 533 million yen (9.7% increase) and the segment profit of 0 million yen (same period previous year was a loss of 15 million yen).

The below table indicates the number of stores by segment, market and by brand at the end of the second quarter of the consolidated financial period:

| Segment | Territory | Brand | End of previous financial period | | Increase/ Decrease | End of Q2 FY2019-20 | |
|--------------------------------|-----------------------------|----------------|----------------------------------|----------------------|-----------------------|----------------------|----------------------|
| | | | Of which licensed | Of which licensed | | Of which licensed | Of which licensed |
| Domestic Store Operations | Japan | IPPUDO (note) | 93 | 9 | - | 93 | 11 |
| | | RAMEN EXPRESS | 31 | - | + 2 | 33 | - |
| | | Others | 19 | - | + 3 | 22 | - |
| | Sub-total | | 143 | 9 | + 5 | 148 | 11 |
| Others | Japan | Ichikabachika | 2 | - | - | 2 | - |
| | | Inaba Udon | 6 | - | - | 6 | - |
| | Sub-total | | 8 | - | - | 8 | - |
| Japan Sub-total | | | 151 | 9 | + 5 | 156 | 11 |
| International Store Operations | USA | IPPUDO | 6 | - | + 1 | 7 | - |
| | | KURO-OBI | 5 | - | - | 5 | - |
| | Singapore | IPPUDO | 7 | - | - | 7 | - |
| | | IPPUDO EXPRESS | 3 | - | -1 | 2 | - |
| | | 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 | - | + 1 | 5 | - |
| | United Kingdom | IPPUDO | 3 | - | - | 3 | - |
| | France | IPPUDO | 3 | - | - | 3 | - |
| | Myanmar | IPPUDO | 1 | 1 | + 1 | 2 | 2 |
| | Vietnam | IPPUDO | 1 | 1 | + 1 | 2 | 2 |
| | International Sub-total | | | 115 | 66 | + 5 | 120 |
| Company Total | | | 266 | 75 | + 10 | 276 | 81 |

Note: 2 IPPUDO stores under Domestic Store Operations segment were converted from company-owned to licensed.

(2) Explanation of Financial Position

1) Status of Assets, liabilities and net assets

Assets

Total assets at the end of the second quarter of the current consolidated financial period totaled 16,120 million yen, which is a decrease of 271 million yen compared to the end of the previous financial period. Cash and deposits increased by 59 million yen and the plant, property and equipment increased by 337 million yen, while the other current assets decreased by 310 million yen from a decrease in deposits etc., as well as a decrease of 300 million yen in investment securities and a decrease of 43 million yen in deposits and guarantees due to store closures and divestures.

Liabilities

Total liabilities at the end of the quarter was 11,372 million yen, a decrease of 295 million yen compared to the end of the previous financial period. This is mainly due to a decrease of 105 million yen in interest-bearing loans, a decrease of 45 million yen in accounts payable – other, and a decrease of 108 million yen in income tax payable.

Net assets

The net assets at the end of the second quarter saw an increase of 24 million yen, totaling 4,748 million yen. The resulting equity ratio is 27.5%. This is mainly due to the increase in retained earnings by 386 million yen, from net quarterly profit attributable to the Company, which was partially offset by the decrease of 158 in valuation difference on available-for-sale securities due to the sales of investment securities as well as payment of dividends which decreased the retained earnings by 94 million yen.

2) Status of Cash flows

The balance of cash and cash equivalents at the end of the second quarter of the current consolidated financial period was 4,193 million yen, which is a decrease of 129 million yen from the end of the previous financial period. The status and salient elements of each cash flow are as follows:

Cash flows from operating activities

During the second quarter of the current consolidated financial period, the Company generated 664 million yen from its operating activities. This mainly comes from 469 million yen net quarterly profit before income taxes and non-cash expenses such as 493 million yen depreciation etc., while there were 102 million yen decrease of accounts payable – other, and booking of 150 million yen of gains from sales of investment securities recorded.

Cash flows from investing activities

During the second quarter of the current consolidated financial period, the Company spent 605

million yen on its investing activities. This is mainly from a gain of 335 million from sales of its investment securities, collection of deposits and guarantees amounting to 75 million yen, while acquisition of plant, property and equipment led to an outflow of 842 million yen, as well as acquisition of investment securities of 81 million yen and payment of deposits and guarantees amounting to 46 million yen.

Cash flows from financing activities

During the second quarter of the current consolidated financial period, the Company spent 131 million through its financing activities. An inflow of 1,076 million yen from long-term loans and 70 million yen from short-term loans, and an outflow of 1,187 million yen from repayment of long-term loans and dividend payment of 94 million yen, etc. contributed to this result.

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

As for the forecast of consolidated financial results for the fiscal term ending March 2020, there are no changes from the forecast published on May 10, 2019.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet (Yen in thousand)

| | As of March 31, 2019 | As of September 30, 2019 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,615,246 | 3,674,719 |
| Notes and accounts receivable - trade | 516,708 | 493,023 |
| Inventories | 360,332 | 380,945 |
| Other | 1,301,182 | 990,711 |
| Allowance for doubtful accounts | - 895 | - 1,002 |
| Total current assets | 5,792,574 | 5,538,397 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,805,089 | 5,913,514 |
| Machinery, equipment and vehicles, net | 309,571 | 278,537 |
| Land | 633,495 | 633,495 |
| Leased assets, net | 58,075 | 33,609 |
| Construction in progress | 82,040 | 372,966 |
| Other, net | 479,177 | 472,814 |
| Total property, plant and equipment | 7,367,450 | 7,704,938 |
| Intangible assets | | |
| Goodwill | 253,526 | 232,102 |
| Leased assets | 6,917 | 2,706 |
| Other | 75,790 | 90,624 |
| Total intangible assets | 336,234 | 325,433 |
| Investments and other assets | | |
| Investment securities | 429,235 | 128,511 |
| Long-term loans receivable | 4,449 | 3,800 |
| Deferred tax assets | 443,432 | 428,058 |
| Leasehold and guarantee deposits | 1,750,633 | 1,707,176 |
| Other | 271,460 | 287,202 |
| Allowance for doubtful accounts | - 2,718 | - 2,598 |
| Total investments and other assets | 2,896,493 | 2,552,151 |
| Total non-current assets | 10,600,178 | 10,582,522 |
| Total assets | 16,392,753 | 16,120,920 |

(Yen in thousand)

| | As of March 31, 2019 | As of September 30, 2019 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 701,619 | 725,453 |
| Short-term borrowings | 50,000 | 120,000 |
| Current portion of bonds | 14,000 | 14,000 |
| Current portion of long-term borrowings | 1,743,088 | 1,572,044 |
| Lease obligations | 23,624 | 25,009 |
| Accounts payable - other | 1,429,995 | 1,384,389 |
| Income taxes payable | 248,894 | 140,225 |
| Provision for bonuses | 2,700 | 16,576 |
| Asset retirement obligations | 18,369 | 6,723 |
| Other | 903,317 | 797,789 |
| Total current liabilities | 5,135,610 | 4,802,211 |
| Non-current liabilities | | |
| Bonds payable | 151,000 | 144,000 |
| Long-term borrowings | 5,232,806 | 5,249,865 |
| Lease obligations | 38,262 | 22,717 |
| Provision for share-based remuneration | 14,624 | 22,071 |
| Reserve for interlocking type of monetary benefit | 1,822 | 1,235 |
| Retirement benefit liability | 230,522 | 225,077 |
| Asset retirement obligations | 673,867 | 702,798 |
| Other | 189,488 | 202,161 |
| Total non-current liabilities | 6,532,394 | 6,569,928 |
| Total liabilities | 11,668,004 | 11,372,139 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,266,774 | 1,279,979 |
| Capital surplus | 1,179,178 | 1,192,382 |
| Retained earnings | 1,680,407 | 1,972,170 |
| Treasury shares | - 99,278 | - 99,279 |
| Total shareholders' equity | 4,027,081 | 4,345,252 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 158,774 | - |
| Foreign currency translation adjustment | 136,969 | 82,631 |
| Total accumulated other comprehensive income | 295,743 | 82,631 |
| Non-controlling interests | 401,923 | 320,896 |
| Total net assets | 4,724,748 | 4,748,780 |
| Total liabilities and net assets | 16,392,753 | 16,120,920 |

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(Accumulated period of second quarter of the consolidated financial period)

(Yen in thousand)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|---|--|--|
| Net sales | 13,116,636 | 14,772,619 |
| Cost of sales | 3,679,292 | 4,248,789 |
| Gross profit | 9,437,344 | 10,523,829 |
| Selling, general and administrative expenses (note) | 9,044,071 | 10,073,947 |
| Operating profit | 393,272 | 449,882 |
| Non-operating income | | |
| Interest income | 664 | 1,095 |
| Dividend income | 23,970 | 1 |
| Share of profit of entities accounted for using equity method | - | 4,948 |
| Foreign exchange gains | 17,550 | - |
| Lease income | 12,407 | 20,269 |
| Subsidy income | 16,026 | - |
| Other | 8,014 | 7,976 |
| Total non-operating income | 78,633 | 34,290 |
| Non-operating expenses | | |
| Interest expenses | 42,630 | 40,988 |
| Share of loss of entities accounted for using equity method | 1,053 | - |
| Foreign exchange losses | - | 16,654 |
| Rental cost | 4,408 | 9,893 |
| Other | 13,483 | 17,332 |
| Total non-operating expenses | 61,575 | 84,869 |
| Ordinary profit | 410,331 | 399,303 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 58,755 | 10,433 |
| Gain on sales of shares of subsidiaries and associates | 109 | 3,000 |
| Gain on sales of investment securities | 242,464 | 150,455 |
| Other | 7,628 | - |
| Total extraordinary income | 308,958 | 163,888 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | - | 6,820 |
| Loss on retirement of non-current assets | 1,988 | 11,485 |
| Impairment loss | 213,302 | 25,218 |
| Loss on cancellation of leases | - | 38,553 |
| Settlement | 65,484 | - |
| Other | 39,125 | 11,526 |

| | | |
|--|-----------|----------|
| Total extraordinary losses | 319,901 | 93,604 |
| Profit before income taxes | 399,388 | 469,587 |
| Income taxes - current | 163,763 | 106,508 |
| Income taxes – deferred | - 104,470 | 49,530 |
| Total income taxes | 59,292 | 156,039 |
| Profit | 340,095 | 313,548 |
| Loss attributable to non-controlling interests | - 44,451 | - 72,988 |
| Profit attributable to owners of parent | 384,546 | 386,537 |

Quarterly Consolidated Statement of Comprehensive Income

(Accumulated period of second quarter of the consolidated financial period)

(Yen in thousand)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|--|--|--|
| Profit | 340,095 | 313,548 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | - 168,448 | - 158,774 |
| Foreign currency translation adjustment | - 90,802 | - 62,375 |
| Total other comprehensive income | - 259,250 | - 221,150 |
| Comprehensive income | 80,844 | 92,398 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 134,629 | 173,425 |
| Comprehensive income attributable to non-controlling interests | - 53,784 | - 81,026 |

(3) Quarterly Consolidated Statement of Cash Flow

(Yen in thousand)

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 399,388 | 469,587 |
| Depreciation | 442,010 | 493,846 |
| Impairment loss | 213,302 | 25,218 |
| Amortization of goodwill | 7,461 | 15,818 |
| Amortization of long-term prepaid expenses | 9,092 | 9,704 |
| Increase (decrease) in allowance for doubtful accounts | 8 | - 12 |
| Increase (decrease) in provision for bonuses | 2,719 | 14,234 |
| Increase (decrease) in provision for share-based remuneration | 3,655 | 7,446 |
| Increase / decrease in reserve for equity-linked money provision | 647 | - 587 |
| Increase (decrease) in retirement benefit liability | 17,073 | - 5,453 |
| Interest and dividend income | - 24,634 | - 1,096 |
| Interest expenses | 42,630 | 40,988 |
| Foreign exchange losses (gains) | - 3,184 | 4,877 |

| | | |
|--|-----------|-------------|
| Share of loss (profit) of entities accounted for using equity method | 1,053 | - 4,948 |
| Loss (gain) on sales of shares of subsidiaries and associates | - 109 | - 3,000 |
| Loss (gain) on sales of non-current assets | - 58,755 | - 3,612 |
| Loss (gain) on sales of investment securities | - 242,464 | - 150,455 |
| Loss on retirement of non-current assets | 1,988 | 11,485 |
| Decrease (increase) in trade receivables | 87,388 | 19,940 |
| Decrease (increase) in inventories | - 23,536 | - 22,528 |
| Increase (decrease) in trade payables | - 48,372 | 28,798 |
| Decrease (increase) in prepaid expenses | - 52,967 | 39,773 |
| Increase (decrease) in accounts payable - other | 348,809 | - 102,363 |
| Decrease/increase in consumption taxes receivable/payable | 21,668 | 3,145 |
| Other, net | 19,114 | - 22,994 |
| Subtotal | 1,163,987 | 867,814 |
| Interest and dividends received | 666 | 734 |
| Interest paid | - 38,608 | - 40,650 |
| Income taxes paid | - 39,025 | - 163,105 |
| Net cash provided by (used in) operating activities | 1,087,020 | 664,792 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - 670,152 | - 842,478 |
| Proceeds from sales of property, plant and equipment | 118,086 | 29,561 |
| Purchase of intangible assets | - 18,578 | - 24,258 |
| Purchase of investment securities | - 61,120 | - 81,519 |
| Proceeds from sales of investment securities | 501,283 | 335,214 |
| Proceeds from sales of shares of subsidiaries and associates | 109 | 3,000 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - 14,054 | - |
| Loan advances | - 890 | - |
| Collection of loans receivable | 1,509 | 1,014 |
| Payments of leasehold and guarantee deposits | - 107,455 | - 46,001 |
| Proceeds from refund of leasehold and guarantee deposits | 32,957 | 75,399 |
| Payments for asset retirement obligations | - 2,589 | - 15,287 |
| Other, net | - 5,646 | - 40,031 |
| Net cash provided by (used in) investing activities | - 226,541 | - 605,387 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | - 336,306 | 70,000 |
| Proceeds from long-term borrowings | 1,183,896 | 1,076,967 |
| Repayments of long-term borrowings | - 667,639 | - 1,187,195 |
| Redemption of bonds | - 7,000 | - 7,000 |
| Repayments of lease obligations | - 18,325 | - 15,156 |
| Proceeds from issuance of shares | 21,285 | 25,795 |
| Proceeds from share issuance to non-controlling shareholders | 6,000 | - |
| Purchase of treasury shares | - 99,278 | - 0 |
| Dividends paid | - 90,835 | - 94,498 |
| Net cash provided by (used in) financing activities | - 8,202 | - 131,087 |
| Effect of exchange rate change on cash and cash equivalents | 60,524 | - 58,012 |

| | | |
|--|-----------|-----------|
| Net increase (decrease) in cash and cash equivalents | 912,801 | - 129,695 |
| Cash and cash equivalents at beginning of period | 3,555,734 | 4,323,507 |
| Cash and cash equivalents at end of period (note) | 4,468,536 | 4,193,811 |

4) 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)

1 Previous accumulated period up to 2nd quarter of FY2018-19 (from April 1, 2018 to September 30, 2018)

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

(Yen in thousand)

| | Segment | | | | Others (Note 1) | Total | Adjustment (Note 2) | Consolidated Statement of Income (Note 3) |
|---|---------------------------------|--------------------------------------|---|------------|--------------------|------------|------------------------|--|
| | Domestic Store Operations | International Store Operations | Domestic Production & Merchandise | Total | | | | |
| Revenue | | | | | | | | |
| Sales to External Customers | 7,664,679 | 3,970,469 | 995,659 | 12,630,809 | 485,827 | 13,116,636 | - | 13,116,636 |
| Internal Sales or Transfer of accounts between the segments | - | - | - | - | - | - | - | - |
| Total | 7,664,679 | 3,970,469 | 995,659 | 12,630,809 | 485,827 | 13,116,636 | - | 13,116,636 |
| Segment profit or (Loss) | 409,707 | 273,758 | 12,937 | 696,402 | -15,504 | 680,897 | -287,625 | 393,272 |

Notes

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

(2) All of "Adjustment" -287,625 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 Statement of Income.

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

(Material Impairment of non-current assets)

Within the Domestic Store Operations segment, there was recording of impairment loss amounting to 209,975 thousand yen pertaining to planned closure of certain stores during the second quarter of the previous consolidated financial period.

2 Current accumulated period up to 2nd quarter of FY2019-20 (from April 1, 2019 to September 30, 2019)

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

(Yen in thousand)

| | Segment | | | | Others (Note 1) | Total | Adjustment (Note 2) | Consolidated Statement of Income (Note 3) |
|---|---------------------------------|--------------------------------------|---|------------|--------------------|------------|------------------------|--|
| | Domestic Store Operations | International Store Operations | Domestic Production & Merchandise | Total | | | | |
| Revenue | | | | | | | | |
| Sales to External Customers | 8,430,082 | 4,770,788 | 1,038,597 | 14,239,467 | 533,151 | 14,772,619 | - | 14,772,619 |
| Internal Sales or Transfer of accounts between the segments | - | - | - | - | - | - | - | - |
| Total | 8,430,082 | 4,770,788 | 1,038,597 | 14,239,467 | 533,151 | 14,772,619 | - | 14,772,619 |
| Segment profit or (Loss) | 379,817 | 310,985 | 36,068 | 726,871 | 643 | 727,515 | -277,632 | 449,882 |

Notes

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

(2) All of "Adjustment" -277,632 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 Statement of Income.

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

(Material Impairment of non-current assets)

Within the Domestic Store Operations segment, there was a recording of impairment loss from the disposal of the old POS systems as the stores are going through the replacement of their POS systems. The amount recorded from this activity during the accumulated period up to second quarter of the current financial period is 14,938 thousand yen.