



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

February 10, 2020

Tokyo Stock Exchange

Company: Chikaranomoto Holdings Co., Ltd,

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

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Scheduled Date of Q3 report February 10, 2020 Scheduled Date of submission - Dividend Payments: -

Preparation of Supplementary Explanation Material for Financial Results: Yes

Presentation Meeting for Financial Results: No

1. Q3 Financial Year Ending March 31, 2020 (April 1, 2019 – December 31, 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	%
Q3 FY2019-20	22,293	10.2	704	0.1	658	-4.8	530	1.3
Q3 FY2018-19	20,226	11.5	703	5.3	691	-1.1	523	4.0

Note: Comprehensive Income Q3 FY2019-20 146 million JPY (-54.2%) Q3 FY2018-19 319 million JPY (-52.5%)

	Quarterly earnings per share	Quarterly earnings per share after adjusting for dilution
	Yen	Yen
Q3 FY2019-20	22.39	21.98
Q3 FY2018-19	22.36	21.61

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	million JPY	million JPY	%
Q3 FY2019-20	16,786	4,710	26.5
FY2018-19	16,392	4,724	26.4

Reference: Shareholders' Equity Q3 of FY 2019-20 4,444 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	29.57

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)	Q3 FY2019-20	23,838,800Shares	As of March 31, 2019	23,693,500Shares
② Total number of treasury shares at the end of period	Q3 FY2019-20	89,601Shares	As of March 31, 2019	89,600Shares
③ Average number of shares during the period (accumulative during the quarter)	Q3 FY2019-20	23,682,900Shares	As of December 31, 2019	23,402,320Shares

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 Q3 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 Q3 of FY2019-20 89,600 shares and at the end of the Q3 of FY2018-19 40,076 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 8).

(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 third quarter of the current consolidated financial period.

(1) Explanation on Operating Results

As for the overall economic environment during the third quarter of the current consolidated financial period, the domestic economy saw continued improvement in the employment market helped by the growth of the corporate performance and capital expenditure continued to rise, while the macro-economic growth remains flat due to decline in export activities caused by weak demand abroad. Internationally, there remain many elements of concern, partly due to political and economic uncertainties as evinced by such issues as trade disputes between the USA and China, the "Brexit" from the EU, prolonged demonstrations in Hong Kong, which are leading to weakening of production and consuming activities in several areas.

Within the restaurant industry in which the Company operates, domestically, there are upward pressure on the wages and logistics costs due to shortage of labor force, heightened raw materials costs due to fluctuating economic environments abroad, and an increase of consumption tax in October 2019. Additionally, the traditional borderline between "dining-out" and "eating-in" has become blurred, and the competition continues to be fierce from many non-traditional players in the market.

Internationally, there continues to be new entrants in the market, as the interest on Ramen and Japanese food in general contributes to the expansion of the overall market, the number of "Japanese" restaurants throughout the world has exceeded 150,000 (according to "Publication of the survey of the number of Japanese restaurants abroad" by Ministry of Agriculture, Forestry and Fisheries, 2019). The situations surrounding restaurant industry around the globe are facing a period of fundamental change, as the diffusion of delivery services and changes in dining habits deriving from concerns for the environment, continues to accelerate. While there are elements of uncertainty, the company remains hopeful that the market itself will continue to expand, boosted by growing middle-class and increase in disposable income.

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 third quarter of the current consolidated financial period, the number of stores including those in licensed areas totaled 293 stores (Japan 163, International 130).

Helped by the addition of new stores and 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 third quarter of the current consolidated financial period is as follows: the Revenue totaled 22,293 million yen (a 10.2% increase from the same quarterly period of the previous financial period). There were continued increases in the wages and logistics costs in Japan that led to roughly 2 percentage points reduction in the operating margin from this segment, and while there was an increase of contribution from the International segment, and the

Operating Income resulted in 704 million yen (0.1% increase). Ordinary Income was affected by the sales of investment securities, which resulted in reduction of dividends received (non-operating income) compared to the same quarter of the previous fiscal year, and resulted in 658 million yen (4.8% decrease). With a contribution from the sales of investment securities and minimal extraordinary losses, the quarterly net profit attributable to the Company was 530 million yen (1.3% increase).

Explanation of the Results by Segment

(Domestic Store Operations)

The Company opened 3 new stores under IPPUDO brand, 6 under Ramen Express, 3 under Panda Express, 1 under Najimatei in this segment. In total, while there were 13 new openings, there were 2 closures under IPPUDO and 1 under Ramen Express. The total number of stores at the end of the third quarter of the current consolidated financial period was 153 (a net increase of 10 stores compared to the end of the previous fiscal year).

In addition to the above new openings, the Company held its 34th anniversary events in October as well as the launch of IPPUDO app aimed at delivering more value to the core fan base and acquiring new segment of the market. At the end of the year, in order to facilitate working environment improvement for the Company employees, the Company closed 67 stores, primarily under the IPPUDO brand, from December 31 to January 2. Despite such closures, owing to the success of the above promotional measures as well as strong performance from the existing stores despite the hike in the consumption tax in October, the number of guests for the existing stores continued to increase compared to the previous year, and the total revenue from the segment reached 12,691 million yen (7.7% increase). The segment profit, suffering from the increased wages and logistics costs, the while Company continues to implement *kaizen* drives including supply chain optimization, resulted in 510 million yen (27.6% decrease).

(International Store Operations)

Under the IPPUDO brand, there were 6 openings in China, 2 in Taiwan, 2 in Thailand, 1 in the USA, 1 in Indonesia, 1 in the United Kingdom, 1 in Malaysia, 1 in Myanmar, 1 in Vietnam, 1 in New Zealand, and in the IPPUDO Express brand 2 stores opened in Taiwan, and in "Others" brands 1 in the USA, and 1 store opened in Australia. These openings resulted in the overall increase of 21 stores, while there were 3 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 third quarter of the current consolidated financial period, the total number of stores under the segment resulted in 130 (a net increase of 15).

The operating results in this third accumulative quarter are as follows: revenue 7,108 million yen (17.4% 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 482 million yen (19.0% 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 1,683 million yen (2.3% increase), and the segment profit recorded 99 million yen (73.4% increase) helped by cost-reduction initiatives achieving certain results.

(Others)

The Company opened 2 new stores under the 68-year-old classic brand “Inaba Udon” and the total number of stores under this segment resulted in 8 stores (a net increase of 2 compared to the end of the previous fiscal period). In addition to the new openings, store sales performed strongly in this segment and certain cost reduction drives helped the improvement in this segment. The revenue under this segment for the third quarter of the current consolidated financial period resulted in 810 million yen (8.8% increase) and the segment profit of 9 million yen (same period previous year was a loss of 6 million yen).

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

Segment	Territory	Brand	End of previous financial period		Increase/ Decrease	End of Q3 FY2019-20	
				Of which licensed			Of which licensed
Domestic Operations	Japan	IPPUDO (note)	93	9	+ 1	94	12
		RAMEN EXPRESS	31	-	+5	36	-
		Others	19	-	+4	23	-
	Sub-total		143	9	+10	153	11
Others	Japan	Ichikabachika	2	-	-	2	-
		Inaba Udon	6	-	+2	8	-
	Sub-total		8	-	+2	10	-
Japan Sub-total			151	9	+12	163	12
International Operations	USA	IPPUDO	6	-	+1	7	-
		Others	5	-	+1	6	-
	Singapore	IPPUDO	7	-	-	7	-
		IPPUDO EXPRESS	3	-	-1	2	-
		Others	1	-	-1	-	-
	China (including Hong Kong)	IPPUDO	31	31	+3	34	34
		Others	1	1	-1	-	-
	Taiwan	IPPUDO	10	-	+2	12	-
		IPPUDO EXPRESS	1	-	+2	3	-
	Australia	IPPUDO	7	2	-	7	2
		Others	1	-	+1	2	-
	Malaysia	IPPUDO	5	5	+1	6	6
	Thailand	IPPUDO	16	16	+2	18	18

Philippines	IPPUDO	9	9	-	9	9
Indonesia	IPPUDO	4	-	+1	5	-
United Kingdom	IPPUDO	3	-	+1	4	-
France	IPPUDO	3	-	-	3	-
Myanmar	IPPUDO	1	1	+1	2	2
Vietnam	IPPUDO	1	1	+1	2	2
New Zealand	IPPUDO	-	-	+1	1	1
International Sub-total		115	66	+15	130	74
Company Total		266	75	+27	293	86

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 third quarter of the current consolidated financial period totaled 16,786 million yen, which is an increase of 394 million yen compared to the end of the previous financial period. This is mainly an increase of receivables and accounts receivable due to the sales of New Year Soba in the Domestic Manufacturing and Sales segment, and an increase of tangible non-current assets due to new store openings and factory construction in the Others segment. There was a decrease of 239 million yen in cash and a decrease in investment securities of 301 million yen due to its sales.

Liabilities

Total liabilities at the end of the quarter was 12,075 million yen, 407 million yen more than at the end of the previous financial period. This is mainly due to an increase of 80 million yen in interest-bearing loans, an increase of 142 million yen from variance in payables and accounts payable related to the New Year Soba in the Domestic Manufacturing and Sales segment, and an increase of 193 million yen in payables under Others segment for its new factory.

Net assets

The net assets at the end of the third quarter saw a decrease of 13 million yen, totaling 4,710 million yen. The resulting equity ratio is 26.5%. This is mainly due to the increase in retained earnings by 530 million yen from the quarterly net profit attributable to the Company, which was offset by the decrease of 157 million yen in valuation difference on available-for-sale securities due to the sales of investment securities, payment of dividends which decreased the retained earnings by 189 million yen, as well as a decrease in Non-controlling interests by 135 million yen, etc.

(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. Despite significant challenges in the Domestic market due to increase in wages, raw materials costs and logistics costs, the Company continues to perform per the published plan in principle.

Quarterly Consolidated Financial Statements

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

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	3,615,246	3,375,991
Notes and accounts receivable - trade	516,708	662,922
Inventories	360,332	399,087
Other	1,301,182	1,357,101
Allowance for doubtful accounts	-895	-1,242
Total current assets	5,792,574	5,793,859
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,805,089	6,287,620
Machinery, equipment and vehicles, net	309,571	322,735
Land	633,495	633,495
Leased assets, net	58,075	30,987
Construction in progress	82,040	212,011
Other, net	479,177	609,454
Total property, plant and equipment	7,367,450	8,096,304
Intangible assets		
Goodwill	253,526	224,671
Leased assets	6,917	2,297
Other	75,790	85,440
Total intangible assets	336,234	312,409
Investments and other assets		
Investment securities	429,235	127,562
Long-term loans receivable	4,449	3,519
Deferred tax assets	443,432	432,497
Leasehold and guarantee deposits	1,750,633	1,737,520
Other	271,460	285,728
Allowance for doubtful accounts	-2,718	-2,598
Total investments and other assets	2,896,493	2,584,230
Total non-current assets	10,600,178	10,992,943
Total assets	16,392,753	16,786,803

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	701,619	844,510
Short-term borrowings	50,000	270,000
Current portion of bonds	14,000	14,000
Current portion of long-term borrowings	1,743,088	1,562,367
Lease obligations	23,624	11,043
Accounts payable - other	1,429,995	1,623,754
Income taxes payable	248,894	164,498
Provision for bonuses	2,700	29,343
Asset retirement obligations	18,369	27,569
Other	903,317	901,628
Total current liabilities	5,135,610	5,448,715
Non-current liabilities		
Bonds payable	151,000	144,000
Long-term borrowings	5,232,806	5,311,527
Lease obligations	38,262	20,533
Provision for share-based remuneration	14,624	25,964
Reserve for interlocking type of monetary benefit	1,822	1,843
Retirement benefit liability	230,522	213,177
Asset retirement obligations	673,867	712,457
Other	189,488	197,764
Total non-current liabilities	6,532,394	6,627,267
Total liabilities	11,668,004	12,075,983
Net assets		
Shareholders' equity		
Share capital	1,266,774	1,281,551
Capital surplus	1,179,178	1,193,954
Retained earnings	1,680,407	2,020,601
Treasury shares	-99,278	-99,279
Total shareholders' equity	4,027,081	4,396,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	158,774	1,501
Foreign currency translation adjustment	136,969	45,804
Total accumulated other comprehensive income	295,743	47,306
Non-controlling interests	401,923	266,687
Total net assets	4,724,748	4,710,820
Total liabilities and net assets	16,392,753	16,786,803

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

Quarterly Consolidated Statement of Income

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

	(Thousands of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	20,226,524	22,293,623
Cost of sales	5,728,076	6,501,719
Gross income	14,498,448	15,791,903
Selling, general and administrative expenses	13,794,499	15,086,947
Operating income	703,948	704,955
Non-operating income		
Interest income	1,157	1,531
Dividend income	20,867	1
Share of income of entities accounted for using equity method	-	7,804
Lease income	20,224	30,250
Subsidy income	15,891	-
Other	22,044	12,329
Total non-operating income	80,185	51,917
Non-operating expenses		
Interest expenses	64,942	61,759
Share of loss of entities accounted for using equity method	1,194	-
Foreign exchange losses	2,271	176
Rental cost	7,295	14,809
Other	17,262	21,957
Total non-operating expenses	92,965	98,703
Ordinary profit	691,168	658,169
Extraordinary income		
Gain on sales of non-current assets	59,870	10,617
Gain on sales of shares of subsidiaries and associates	109	3,000
Gain on sales of investment securities	239,753	150,961
Other	7,628	-
Total extraordinary income	307,361	164,578
Extraordinary losses		
Loss on sales of non-current assets	-	6,820
Loss on retirement of non-current assets	9,842	15,323
Impairment loss	213,302	115,188
Loss on cancellation of leases	-	37,358
Settlement package	65,484	-
Other	86,839	13,121
Total extraordinary losses	375,468	187,812
Income before income taxes	623,060	634,934
Income taxes – current	245,786	190,029

Income taxes – deferred	-87,793	42,378
Total income taxes	157,993	232,408
Quarterly net profit	465,067	402,526
Loss attributable to non-controlling interests	-58,239	-127,661
Profit attributable to owners of parent	523,306	530,188

Quarterly Consolidated Statement of Comprehensive Income

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

	(Thousands of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	465,067	402,526
Other comprehensive income		
Valuation difference on available-for-sale securities	-150,148	-157,272
Foreign currency translation adjustment	4,748	-98,738
Total other comprehensive income	-145,399	-256,011
Quarterly comprehensive income	319,667	146,514
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	377,857	281,751
Comprehensive income attributable to non-controlling interests	-58,189	-135,236

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)

1 Previous accumulated period up to 3rd quarter of FY2018-19 (from April 1, 2018 to December 31, 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	11,782,457	6,052,711	1,646,397	19,481,566	744,958	20,226,524	-	20,226,524
Internal Sales or Transfer of accounts between the segments	-	-	-	-	-	-	-	-
Total	11,782,457	6,052,711	1,646,397	19,481,566	744,958	20,226,524	-	20,226,524
Segment profit or (Loss)	704,496	405,400	57,652	1,167,549	-6,450	1,161,098	-457,149	703,948

Notes

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

(2) All of "Adjustment" -457,149 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 third quarter of the previous consolidated financial period.

(Significant variance in the amount of goodwill)

Within the International Store Operations segment, during the third quarter of the previous fiscal year, there was an acquisition of Taiwan IPPUDO Co. and its accounts were consolidated in those of the Company. There was consequently an occurrence of goodwill from this transaction and its amount was 155,447 thousand yen.

2 Current accumulated period up to 3rd quarter of FY2019-20 (from April 1, 2019 to December 31, 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	12,691,342	7,108,023	1,683,534	21,482,900	810,722	22,293,623	-	22,293,623
Internal Sales or Transfer of accounts between the segments	-	-	-	-	-	-	-	-
Total	12,691,342	7,108,023	1,683,534	21,482,900	810,722	22,293,623	-	22,293,623
Segment profit or (Loss)	510,183	482,244	99,960	1,092,388	9,909	1,102,298	-397,342	704,955

Notes

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

(2) All of "Adjustment" -397,342 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 an impairment loss (booked to the recoverable amount of 89,970 thousand yen) from the sales of non-current assets of factories and stores, which was resolved during the current third quarter of the consolidated financial period. In addition, 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 third quarter of the current financial period is 14,938 thousand yen. The total booked amount of impairment losses during the period is 104,908 thousand yen.