

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018 (Japanese Accounting Standards)

August 8, 2017

Company Name: **Zensho Holdings Co., Ltd.** Stock Listings Tokyo Stock Exchange
 Code Number: 7550 URL <http://www.zensho.co.jp/>
 Representative: Mr. Kentaro Ogawa, Chairman of the Board and CEO
 Inquiries: Mr. Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division (TEL) +81-3-6833-1600
 Scheduled date for submission of quarterly securities report: August 8, 2017 Scheduled date for payment of dividends: —
 Supplementary documents for quarterly results : No
 Quarterly results briefing : No

(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (April 1, 2017 to June 30, 2017)

(1) Consolidated Financial Results (Percentages (%) indicate changes from the previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	141,816	10.4	3,520	33.9	3,526	61.3	1,742	146.3
June 30, 2016	128,439	1.8	2,628	792.5	2,185	928.9	707	-

Note: Comprehensive income Three months ended June 30, 2017 1,029 million yen(- %)
 Three months ended June 30, 2016 (726) million yen(- %)

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Three months ended June 30, 2017	Yen 11.75	Yen -
June 30, 2016	4.74	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
Three months ended June 30, 2017	Million yen 289,413	Million yen 81,634	23.3%	Yen 455.39
Fiscal year ended March 31, 2017	288,999	82,107	23.5	458.07

Note: Shareholders' Equity: June 30, 2017 67,509 million yen March 31, 2017 67,905 million yen

2. Dividends

	Dividend per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Full year
Fiscal year ended March 31, 2017	Yen -	Yen 9.00	Yen -	Yen 9.00	Yen 18.00
Fiscal year ending March 31, 2018	-	9.00	-	9.00	18.00
Fiscal year ending March 31, 2018 (forecast)	-	9.00	-	9.00	18.00

Note: Revisions to dividend forecasts published recently : None

3. Consolidated Forecasts for Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentages (%) indicate changes from the previous year for annual figures and year-on year changes for quarterly figures)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
Q2 (Cumulative)	297,369	10.7	12,068	13.3	11,498	14.9	6,359	29.3	42.90	
Full year	595,180	9.4	21,692	15.5	20,676	14.5	9,660	14.4	65.16	

Note: Revisions to consolidated financial forecasts published recently : None

※ Notes

- (1) Changes of important subsidiaries during the period
(changes in specified subsidiaries resulting in change in scope of consolidation) : None
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies caused by revision of accounting standards : None
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(4) Shares issued and outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury stock)	As of June 30, 2017	149,640,445 shares	As of March 31, 2017	149,640,445 shares
(ii) Number of treasury stocks at the end of the period	As of June 30, 2017	1,396,343 shares	As of March 31, 2017	1,396,423 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	As of June 30, 2017	148,244,096 shares	As of June 30, 2016	149,180,112 shares

※ Quarterly consolidated financial results are not subject to a quarterly review.

※ Explanation and other special notes concerning the appropriate use of forecasted business performance

(Notes on forecasted business performance and others)

The forecast figures indicated above are projections based on the information available at the time of the announcement and certain assumptions include some degree of uncertainty. Actual business performance and other results may differ from the forecast depending on the changes in business conditions and others. Please refer to p.4 of the Appendix for information on the above forecast.

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1. Qualitative Information on Results for the First Quarter Ended June 30, 2017

(1) Details of Consolidated Financial Results

In the first quarter of the fiscal year under review (from April 1, 2017 to June 30, 2017), economic conditions in Japan continued a modest recovery with the backdrop of improvements in the corporate earnings and employment environment, while uncertainty over the future remained due to the growing uncertainty over the global economy including the trend of the US economy and trends in emerging Asian and European economies.

In the restaurant industry, although personal consumption showed some recovery, demand and supply of labor continued to be tight, resulting in a stringent business environment.

Under these circumstances, the same-store sales in the Gyudon category including Sukiya, the Family Dining category including Coco's and Jolly-Pasta, and the Fast Food Service category including Hamazushi were 104.1%, 101.0%, and 100.9% year-on-year, respectively. Regarding the profit, operating profit increased year-on-year, due to an increase in the same-store sales.

At the end of the first quarter of the fiscal year under review, the number of stores stood at 4,910, resulting from 51 new store openings and 22 closures.

Consequently, the business performance in the first quarter of the fiscal year under review showed sales of 141,816 million yen (up 10.4% year-on-year), operating profit of 3,520 million yen (up 33.9% year-on-year), ordinary profit of 3,526 million yen (up 61.3% year-on-year), and profit attributable to owners of parent of 1,742 million yen (up 146.3% year-on-year).

An overview of conditions by business segment is provided below.

① Restaurant business

The sales of the restaurant business in the first quarter of the fiscal year under review were 120,061 million yen (up 6.0% year-on-year), and the operating profit was 3,190 million yen (up 31.1% year-on-year).

The performance of the restaurant business for each major category is as follows.

(Gyudon category)

The number of restaurants in the Gyudon category at the end of June 30, 2017 stood at 2,701, as a result of 30 new restaurant openings and 10 closures. The breakdown is 1,958 restaurants of Sukiya, 461 restaurants of Nakau (including 13 franchised restaurants), and others.

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., has made efforts to enhance the product competitiveness by launching "Rokabo Gyumen" (low carbohydrate noodle with simmered beef on top), which uses konjac noodles with rice flour to offer low-carbohydrates and satisfactory feeling (regular size: 490 yen [tax included]), "Rokabo Gyu Bibinmen" (spicy red low carbohydrate noodle with simmered beef on top) (regular size: 590 yen [tax included]), and "Nasu-Arrabbiata Gyudon" (Gyudon topped with eggplant with spicy tomato sauce) (regular size: 490 yen [tax included]) to address the various needs of customers, under the theme of "Let's be Healthy at Sukiya". In addition, seasonal products such as "Una Don" (rice bowl topped with grilled eel) (regular size: 780 yen [tax included]), and "Una Gyu" (rice bowl topped with simmered beef and grilled eel) (regular size: 880 yen [tax included]) were introduced.

Sukiya is striving to strengthen quality controls and improve its service to allow customers to continue to enjoy safe and delicious products, as well as to pursue the development of restaurants loved by customers.

Nakau, rice bowl dishes and Kyoto-style udon noodle chain, operated by Nakau Co., Ltd., sought to improve business performance by undertaking various sales promotions while enhancing product competitiveness through introduction of new and seasonal products and improvement of existing products.

As a result of the above, sales in the Gyudon category in the first quarter of the fiscal year under review totaled 48,879 million yen (up 6.8% year-on-year).

(Family Dining category)

The number of restaurants in the Family Dining category at the end of June 30, 2017 stood at 1,361 (including 78

franchised restaurants), as a result of 8 new restaurant openings and 9 closures.

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., has made efforts to improve its business performance by enriching the menu, introducing dainty campaign menus, and improving the standard of service across the chain.

Big Boy, the chain of hamburger steak and grill restaurants and other chain operated by Big Boy Japan, Inc., sought to improve its business performance by various ways, such as improving the main products, enriching salad bar and soup bar, and adding special menus.

Jolly-Pasta, the pasta specialty restaurant chain, operated by Jolly-Pasta Co., Ltd., expanded the lineup of the menu and introduced new dishes using seasonal ingredients to enhance the taste of products and to convey the pasta specialty restaurant's attractiveness to customers, under the slogan, "When you want pasta, it's Jolly-Pasta".

Hanaya Yohei, the Japanese-cuisine restaurant chain operated by Hanaya Yohei Co., Ltd., has been working to improve customers satisfaction by various ways, including development of products using seasonal ingredients, improvement of service standard with enhanced training of restaurant employees, and improvement of labor productivity.

Due to these efforts, sales in the Family Dining category in the first quarter of the fiscal year under review were 31,601 million yen (up 1.4% year-on-year).

(Fast Food Service category)

The number of restaurants in the Fast Food Service category at the end of June 30, 2017 stood at 761, as a result of 13 new restaurant openings and 3 closures.

Hamazushi, kaiten-sushi restaurants (sushi restaurants with conveying belts) operated by Hamazushi Co., Ltd., sought to expand its businesses by increasing the number of restaurants, enhancing quality of products and strengthening services at the restaurants.

Due to these efforts, sales in the Fast Food Service category in the first quarter of the fiscal year under review were 31,559 million yen (up 6.2% year-on-year).

(Other category)

Sales in the Other category in the first quarter of the fiscal year under review were 8,021 million yen (up 21.0% year-on-year).

Main businesses in this category include Tolona Japan Co., Ltd., which sells frozen pizza, etc.; Global Fresh Supply Co., Ltd., a company which handles logistics functions for the Zensho Group; and Global Table Supply Co., Ltd., which procures uniforms, equipments etc.

② Retail Business

Sales in the retail business in the first quarter of the fiscal year under review were 21,755 million yen (up 43.7% year-on-year), and the operating profit was 328 million yen (up 69.3% year-on-year).

The retail business includes the supermarket business operated by Maruya co., Ltd., Maruei Co., Ltd., Owariya Co., Ltd., and Fresh Corporation Co., Ltd., and fruit and vegetables stores operated by United Veggies Co., Ltd.

(2) Details of Consolidated Financial Position

(Total Assets)

Total assets stood at ¥289,413 million as of June 30, 2017, an increase of ¥414 million compared with the end of the previous fiscal year-end. This increase was mainly due to the increase in property, plant and equipment resulted from new store investments.

(Liabilities)

Liabilities amounted to ¥207,779 million as of June 30, 2017, an increase of ¥888 million compared with the previous fiscal year-end. This increase was mainly due to the increase in interest-bearing liabilities.

(Net Assets)

Net Assets came at ¥81,634 million as of June 30, 2017, a decrease of ¥473 million compared with the previous fiscal year-end. This decrease was mainly due to a decrease in accumulated other comprehensive income.

(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts

There are no changes to the consolidated business performance forecasts announced on May 11, 2017, for the period ending March 31, 2018.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	End of Previous fiscal year (As of March 31, 2017)	End of 1Q, Current fiscal year (As of June 30, 2017)
Assets		
Current Assets		
Cash and deposits	22,274	23,647
Notes and accounts receivable - trade	6,399	6,112
Merchandise and finished goods	18,471	18,007
Work in process	752	729
Raw materials and supplies	4,355	4,448
Other	16,207	16,371
Allowance for doubtful accounts	(11)	(11)
Total current assets	68,450	69,304
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	181,641	184,093
Accumulated Depreciation	(102,276)	(104,160)
Buildings and structures, net	79,364	79,932
Machinery, equipment and vehicles	12,755	13,247
Accumulated Depreciation	(6,772)	(7,004)
Machinery, equipment and vehicles, net	5,982	6,242
Other	90,248	92,513
Accumulated Depreciation	(45,601)	(46,375)
Other, net	44,646	46,137
Total property, plant and equipment	129,993	132,313
Intangible assets		
Goodwill	18,928	19,607
Other	2,971	3,038
Total intangible assets	21,899	22,645
Investments and other assets		
Investment securities	3,570	865
Guarantee deposits	33,116	33,049
Other	31,887	31,165
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	68,561	65,065
Total non-current assets	220,454	220,024
Deferred assets	93	84
Total assets	288,999	289,413

(Million yen)

	End of Previous fiscal year (As of March 31, 2017)	End of 1Q, Current fiscal year (As of June 30, 2017)
Liabilities		
Current Liabilities		
Notes and accounts payable, trade	19,046	17,658
Short-term loans payable	2,662	7,646
Current portions of bonds	4,925	3,125
Current portion of long-term loans payable	43,485	37,677
Income taxes payable	2,491	687
Provision	1,869	1,265
Other	28,334	36,370
Total current liabilities	102,815	104,431
Non-current liabilities		
Bonds payable	10,580	10,580
Long-term loans payable	75,492	73,480
Net defined benefit liability	570	584
Asset retirement obligations	2,396	2,416
Other	15,036	16,287
Total non-current liabilities	104,075	103,348
Total liabilities	206,891	207,779
Net assets		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,261
Retained earnings	21,967	22,336
Treasury shares	(2,021)	(2,021)
Total shareholders' equity	67,677	68,047
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	541	(43)
Deferred gains or losses on hedges	51	(129)
Remeasurements of defined benefit plans	(36)	(34)
Foreign currency translation adjustment	(327)	(330)
Total accumulated other comprehensive income	227	(538)
Non-controlling interests	14,202	14,125
Total net assets	82,107	81,634
Total liabilities and net assets	288,999	289,413

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(First Quarter, Fiscal Year ending March 31, 2018)

	(Million yen)	
	1Q, Previous fiscal year (From April 1, 2016 to June 30, 2016)	1Q, Current fiscal year (From April 1, 2017 to June 30, 2017)
Net Sales	128,439	141,816
Cost of Sales	54,515	62,212
Gross Profit	73,924	79,604
Selling, General and Administrative Expenses	71,296	76,084
Operating Profit	2,628	3,520
Other Income		
Interest income	101	100
Dividend income	2	1
Rent income	57	56
Foreign exchange gains	—	154
Other	147	148
Total non-operating income	309	460
Non-operating expenses		
Interest expenses	293	222
Rent expenses	34	36
Foreign exchange losses	233	—
Other	190	194
Total non-operating expenses	751	453
Ordinary profit	2,185	3,526
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	—	94
Compensation income	—	31
Other	12	23
Total extraordinary income	12	152
Extraordinary losses		
Loss on sales of non-current assets	0	2
Loss on retirement of non-current assets	246	300
Other	182	134
Total extraordinary losses	428	438
Profit before income taxes	1,769	3,240
Income taxes - current	421	656
Income taxes - deferred	495	795
Total income taxes	917	1,452
Profit	851	1,788
Profit attributable to non-controlling interests	144	46
Profit attributable to owners of parent	707	1,742

(Quarterly Consolidated Statements of Comprehensive Income)

(First Quarter, Fiscal Year ending March 31, 2018)

(Million yen)

	1Q, Previous fiscal year (From April 1, 2016 to June 30, 2016)	1Q, Current fiscal year (From April 1, 2017 to June 30, 2017)
Profit	851	1,788
Other comprehensive income		
Valuation difference on available-for-sale securities	28	(585)
Deferred gains or losses on hedges	(580)	(180)
Remeasurements of defined benefit plans, net of tax	1	1
Foreign currency translation adjustment	(1,028)	4
Total other comprehensive income	(1,578)	(758)
Comprehensive income	(726)	1,029
(Breakdown)		
Comprehensive income attributable to owners of parent	(858)	983
Comprehensive income attributable to non-controlling interests	132	46

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes for Case Where Shareholders' Equity underwent Significant Changes in Value)

Not applicable.

(Segment Information)

【Segment Information】

I First quarter of Previous Fiscal Year (From April 1, 2016 to June 30, 2016)

1 . Information on net sales, profits or losses by reporting segment

(Units : Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	113,303	15,136	128,439	—	128,439
Intersegment Sales or Transfers	675	25	701	(701)	—
Total	113,979	15,162	129,141	(701)	128,439
Segment Profit/(Loss)	2,434	194	2,628	(0)	2,628

(Note) 1 . Adjustment amount of segment profit/(loss) of -¥0 million are mainly elimination of intersegment transactions.

2 . The total amount of segment profit/(loss) is adjusted with the operating profit in the quarterly consolidated statements of income

3 . Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2 . Information on impairment loss, goodwill, etc. on non-current assets by reportable segment

(Important impairment loss on non-current assets)

Not applicable.

(Major change in goodwill)

Not applicable.

(Major negative goodwill profit)

Not applicable.

II First quarter of Fiscal Year under review (From April 1, 2017 to June 30, 2017)

1. Information on net sales, profits or losses by reporting segment

(Unit : Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	120,061	21,755	141,816	—	141,816
Intersegment Sales or Transfers	615	5	620	(620)	—
Total	120,676	21,760	142,437	(620)	141,816
Segment Profit/(Loss)	3,190	328	3,519	0	3,520

- (Note) 1. Adjustment amount of segment profit/(loss) of ¥0 million are mainly elimination of intersegment transactions.
2. The total amount of segment profit/(loss) is adjusted with the operating profit in the quarterly consolidated statements of income
3. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2. Information on impairment loss, goodwill, etc. on non-current assets by reportable segment

(Important impairment loss on non-current assets)

Not applicable.

(Major change in goodwill)

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(Major negative goodwill profit)

Not applicable.