



## Financial Results (Consolidated) for First Quarter of Fiscal Year Ending March 2017 (Japanese Accounting Standards)

August 9, 2016

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE  
 Code no.: 7550 URL <http://www.zensho.co.jp/>  
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 and Accounting Division  
 Starting date of dividend payment (planned):  
 Date of submission of quarterly report (planned): August 9, 2016  
 Supplemental explanatory materials on consolidated financial results prepared? Y /  N  
 Investors meeting held on settlement of accounts? Y /  N

(Figures rounded down to the nearest million yen)

### 1. Consolidated financial performance in the first quarter of the fiscal year ending March 2017 (April 1 – June 30, 2016)

#### (1) Consolidated business performance (cumulative) (Percentages [%] indicate year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1, FY 2017	128,439	1.8	2,628	792.5	2,185	928.9	707	—
Q1, FY 2016	126,135	5.0	294	—	212	—	(272)	—

Note: Comprehensive income: Q1, FY 2017: (726) million yen (—%); Q1, FY 2016: 91 million yen (—%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q1, FY 2017	4.74	—
Q1, FY 2016	(1.83)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q1, FY 2017	275,970	71,608	21.0	391.83
FY 2016	278,340	75,060	22.2	412.18

Reference: Equity capital: Q1, FY 2017: 58,086 million yen; FY 2016: 61,668 million yen

### 2. Dividend position

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY 2016	—	4.00	—	5.00	9.00
FY 2017	—	—	—	—	—
FY 2017 (forecast)	—	8.00	—	8.00	16.00

Note: Change in most recently announced dividend forecasts? Y /  N

### 3. Consolidated business performance forecasts for FY 2017 (April 1, 2016 – March 31, 2017)

(Percentages [%] indicate changes from the previous year.)

	Sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Q2 (cumulative)	277,679	5.4	9,552	51.5	9,099	55.3	4,631	86.6	31.14
Full year	558,861	6.3	17,710	46.2	16,772	47.4	7,029	74.6	47.34

Note: Change in most recently announced business performance forecasts? Y /  N

Notes

(1) Important changes in subsidiaries (changes in specified subsidiaries resulting in change in scope of consolidation) during the cumulative period through the consolidated first quarter of this fiscal year: Y /  N

(2) Special accounting policies applied in preparation of the quarterly consolidated financial results? Y /  N

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies resulting in revisions of accounting standards: Y /  N

(ii) Other changes in accounting policies: Y /  N

(iii) Changes in accounting estimates: Y /  N

(iv) Restatement Y /  N

(4) Shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding (including treasury stock) at the end of the period

Q1, FY 2017	149,640,445	shares	FY 2016	149,640,445	shares
Q1, FY 2017	1,396,403	shares	FY 2016	23,991	shares
Q1, FY 2017	149,180,112	shares	Q1, FY 2016	148,576,137	shares

(ii) Number of shares of treasury stock at the end of the period

(iii) Average number of shares during the fiscal year (quarter cumulative)

Notes on quarterly review procedures

These quarterly financial results are not subject to the procedures for the review of quarterly reports under the Financial Instruments and Exchange Act. Procedures for the review of quarterly consolidated financial statements had been completed before these financial results were released.

Notes on appropriate use of forecasts of business performance and other notes

(Notes on forward-looking statements, etc.)

The forecast figures indicated above are projections based on the information available at the time they were prepared. They include some degree of uncertainty. Actual business performance and other results may differ from the forecast figures indicated above. See p. 3 of the Appendix for information on the above forecast figures.

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## 1. Qualitative Information on Quarterly Consolidated Business Performance, etc.

### (1) Qualitative information on quarterly consolidated business performance

During the consolidated cumulative first quarter of this fiscal year (April 1 – June 30, 2016), the Japanese economy moved into a gradual recovery with continued improvements in the employment environment, however, the future outlook remained uncertain, as the volatilities in share prices and exchange rates augmented due to the growth of the risk of the downturn of the global economy.

In the restaurant industry, personal consumption has not been fully recovered yet, and so the business environment remains stringent.

Under these circumstances, the sales of existing stores in the Gyudon category such as Sukiya, the Family Dining category such as Coco's and Jolly Pasta and the Fast Food Service category such as Hamasushi were 102.3% year-on-year, 95.6% year-on-year, and 100.6% year-on-year, respectively. Regarding the profit, there was an increase in profit compared to the same period of the previous year, mainly due to the drop in ingredient prices including beef prices and energy costs.

At the end of the consolidated first quarter of this fiscal year, the Group's number of stores stood at 4,781 locations. Events contributing to this figure included the opening of 35 restaurants, the closing of 16 restaurants and the exclusion of 65 restaurants by the sales of all shares of Yamato Foods Co., Ltd., etc.

Consequently, the business performance in the consolidated cumulative first quarter of this fiscal year showed sales of 128,439 million yen (up 1.8% year-on-year), operating income of 2,628 million yen (up 792.5% year-on-year), ordinary income of 2,185 million yen (up 928.9% year-on-year), and profit attributable to owners of parent of 707 million yen (loss attributable to owners of parent of 272 million yen in the same period of the previous year).

An overview of conditions by business segment is provided below.

#### ① Restaurant business

The sales of the restaurant business in the consolidated cumulative first quarter of this fiscal year were 113,303 million yen (up 2.3% year-on-year), and operating income was 2,434 million yen (up 620.3% year-on-year).

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

#### **Gyudon category**

With the opening of 19 restaurants and the closing of 5 restaurants, the number of restaurants in the Gyudon category at the end of the consolidated first quarter of this fiscal year totaled at 2,631. This figure includes 1,969 outlets in the Sukiya chain and 467 outlets (including 14 franchised outlets) in Nakau chain.

Sukiya, a gyudon chain operated by Sukiya Co., Ltd., has made efforts to improve its product competitiveness, by releasing "Mabo-nasu Gyudon (rice bowl topped with mabo eggplant and beef) (regular size: 490 yen [tax included])," which was first released in 2009, "Maguro Namero Don (rice bowl topped with finely chopped tuna and miso) (regular size: 650 yen [tax included])," whose theme is "Healthy at Sukiya: Let's be healthy by having quality and well-balanced meals at Sukiya," "Una Don (rice bowl topped with eel) (regular size: 780 yen [tax included])" and "Una Gyu (rice bowl topped with eel and beef) (regular size: 880 yen [tax included])," which are seasonal products, in order to meet the various needs of customers. Sukiya is striving to strengthen quality controls and improve its service to allow customers to continue to enjoy safe and delicious products.

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 strengthening the attraction of its products by introducing new and seasonal products and improving existing products.

Due to these efforts, sales in the Gyudon category in the consolidated cumulative first quarter of this fiscal year totaled 45,773 million yen (up 3.7% year-on-year).

#### **Family Dining category**

With the opening of 4 restaurants and the closing of 3 restaurants, the number of restaurant locations in the Family Dining category stood at 1,368 outlets (including 78 franchised outlets) at the end of the consolidated first quarter of this fiscal year.

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 business performance in various ways, such as improving their main products, enhancing salad bar and soup bar, and adding special menus.

Jolly Pasta, the pasta specialty restaurant chain, operated by Jolly Pasta Co., Ltd., sought to make its menus even more delicious by enriching menus and introducing new dishes using seasonal ingredients. Jolly Pasta have pursued the chain's identity as a pasta specialist, under the slogan "When you want pasta, it's Jolly Pasta".

To increase customer satisfaction, Hanaya Yohei, the Japanese-cuisine restaurant chain operated by Hanaya Yohei Co., Ltd. targeted various improvements, including improving service by strengthening training of in-store employees, improving labor productivity, and developing products that use seasonal ingredients. Due to these efforts, sales in the Family Dining category in the consolidated cumulative first quarter of this fiscal year totaled 31,178 million yen. (down 3.7% year-on-year)

#### **Fast Food Service category**

With the opening of 10 restaurants, the closing of 5 restaurants and the exclusion of 65 restaurants by the sales of all shares of Yamato Foods Co., Ltd., etc., the number of restaurant locations in the Fast Food Service category at the end of the consolidated first quarter of this fiscal year stood at 685 outlets.

“Hamasushi”, kaiten-sushi restaurants (sushi restaurants with conveying belts) operated by Hamazushi Co., Ltd., sought to expand their 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 consolidated cumulative first quarter of this fiscal year totaled 29,721 million yen (up 8.8% year-on-year).

#### **Other category**

Sales in the Other category in the consolidated cumulative first quarter of this fiscal year totaled 6,629 million yen (down 3.5% year-on-year).

Main businesses in this category include Tolona Japan Co., Inc., 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 retail business in the consolidated cumulative first quarter of this fiscal year were 15,136 million yen (down 1.9% year-on-year) and operating income was 194 million yen (operating loss of 43 million yen in the same period of the previous year).

The retail business of our company is operated by Maruya Co., Ltd., Maruei Co., Ltd., and VERY FOODS - Owariya -, which operates the supermarket business, and United Veggies Co., Inc., which sells fruits and vegetables.

### (2) Information on consolidated financial position

#### (Assets)

At the end of the consolidated first quarter of this fiscal year, the assets decreased by 2,370 million yen from the end of the previous consolidated fiscal year to 275,970 million yen, mainly due to the decrease in cash and deposits used for purchase of treasury shares, and the decrease in assets by the sales of all shares of Yamato Foods Co., Ltd., etc.

#### (Liabilities)

At the end of the consolidated first quarter of this fiscal year, liabilities increased by 1,081 million yen from the end of the previous consolidated fiscal year to 204,361 million yen, mainly due to the increase in borrowings.

#### (Net assets)

At the end of the consolidated first quarter of this fiscal year, net assets decreased by 3,451 million yen from the end of the previous consolidated fiscal year to 71,608 million yen, mainly due to the purchase of treasury shares and the decrease in foreign currency translation adjustments.

### (3) Qualitative information on forecasts of consolidated business performance

There are no revisions to the earnings forecast for the fiscal year ending Mar. 2017 (Apr. 1, 2016–Mar. 31, 2017), which was announced on May 12, 2016.

## 2. Notes on Summary Information (Notes)

(1) Important transfers in subsidiaries during the consolidated cumulative first quarter of this fiscal year  
None

(2) Special accounting policies applied in preparation of the quarterly consolidated financial statements  
None

(3) Changes in accounting policies, changes in accounting estimates, and restatement  
None

### (4) Additional Information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)” has been applied since the first quarter of this consolidated fiscal year.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Consolidated first quarter of this fiscal year (June 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	20,925	19,656
Notes and accounts receivable – trade	5,443	5,086
Merchandise and products	17,988	18,211
In-process inventories	515	619
Raw materials and supplies	3,808	3,954
Other receivables	16,009	16,450
Allowance for doubtful accounts	(16)	(15)
Total current assets	64,675	63,964
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	170,269	169,637
Accumulated depreciation	(93,982)	(94,216)
Buildings and structures (net)	76,286	75,420
Machinery and vehicles	12,830	13,097
Accumulated depreciation	(6,371)	(6,541)
Machinery and vehicles (net)	6,459	6,556
Other	89,526	90,761
Accumulated depreciation	(44,832)	(45,355)
Other (net)	44,694	45,405
Total property, plant, and equipment	127,440	127,382
Intangible assets		
Goodwill	13,199	12,995
Other	2,998	2,872
Total intangible assets	16,197	15,867
Investments and other assets		
Investment securities	1,848	1,862
Guarantee deposits	33,511	33,027
Other	34,600	33,817
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	69,946	68,693
Total noncurrent assets	213,583	211,943
Deferred assets	81	62
Total assets	278,340	275,970

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Consolidated first quarter of this fiscal year (June 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	16,548	15,748
Short-term loans payable	3,870	9,141
Current portion of bonds	9,750	10,450
Current portion of long-term loans payable	33,207	37,423
Accrued income taxes	1,849	509
Reserves	1,587	1,013
Other	27,458	31,349
Total current liabilities	94,271	105,636
Noncurrent liabilities		
Corporate bonds	3,505	1,705
Long-term loans payable	89,467	80,229
Net defined benefit liability	748	609
Asset retirement obligations	2,109	2,108
Other	13,178	14,073
Total noncurrent liabilities	109,008	98,725
Total liabilities	203,280	204,361
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,261
Retained earnings	15,697	15,679
Treasury stock	(21)	(2,021)
Total shareholders' equity	63,408	61,390
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(283)	(250)
Deferred hedging gains/losses	(1,209)	(1,789)
Remeasurements of defined benefit plans	(63)	(61)
Foreign currency translation adjustments	(184)	(1,203)
Total accumulated other comprehensive income	(1,740)	(3,304)
Non-controlling interests	13,391	13,522
Total net assets	75,060	71,608
Total liabilities and net assets	278,340	275,970



(2) Quarterly consolidated statement of profit and loss and consolidated statement of comprehensive income  
(Quarterly consolidated statement of profit and loss)  
(Cumulative period through the consolidated first quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated first quarter of the previous fiscal year (April 1 – June 30, 2015)	Cumulative period through the consolidated first quarter of this fiscal year (April 1 – June 30, 2016)
Sales	126,135	128,439
Cost of sales	56,089	54,515
Gross profit	70,045	73,924
Sales and general administrative expenses	69,751	71,296
Operating profit	294	2,628
Non-operating income		
Interest income	103	101
Dividend income	2	2
Lease income	62	57
Foreign exchange gains	47	—
Other	196	147
Total non-operating income	412	309
Non-operating expenses		
Interest expenses	329	293
Lease expenses	42	34
Foreign exchange losses	—	233
Other	122	190
Total non-operating expenses	494	751
Ordinary profit	212	2,185
Extraordinary income		
Gains on sale of noncurrent assets	0	0
Gain on sales of investment securities	0	—
Gain on sales of subsidiaries and affiliates' stocks	—	1
Compensation income for expropriation	6	9
Gain on liquidation of subsidiaries	285	—
Other	0	0
Total extraordinary income	293	12
Extraordinary losses		
Loss on retirement of noncurrent assets	56	246
Loss on closing of stores	27	23
Other	83	158
Total extraordinary losses	167	428
Net profit before income taxes	338	1,769
Corporate, residence and enterprise taxes	390	421
Income taxes – deferred	133	495
Total corporate taxes	524	917
Net profit (loss) before non-controlling interests	(185)	851
Profit attributable to non-controlling interests	86	144
Net profit (loss) attributable to owners of parent	(272)	707

(Quarterly consolidated statement of comprehensive income)

(Cumulative period through the consolidated first quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated first quarter of the previous fiscal year (April 1 – June 30, 2015)	Cumulative period through the consolidated first quarter of this fiscal year (April 1 – June 30, 2016)
Net profit (loss) before non-controlling interests	(185)	851
Other comprehensive income		
Valuation difference on available-for-sale securities	315	28
Deferred hedging gains/losses	6	(580)
Remeasurements of defined benefit plans	0	1
Foreign currency translation adjustments	(44)	(1,028)
Total other comprehensive income	277	(1,578)
Comprehensive income	91	(726)
(Breakdown)		
Comprehensive income attributable to owners of parent	6	(858)
Comprehensive income attributable to non-controlling interests	85	132

(3) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity (if any))

Not applicable

(Segment information)

[Segment information]

I. Cumulative period through the consolidated first quarter of the previous fiscal year (April 1 – June 30, 2015)

1. Information on sales, profits or losses, assets, liabilities, and other items for each segment

(Units: Millions of yen)

	Reportable segment		Total	Adjustment Amount*1	Consolidated balance sheet amount*2
	Restaurant business	Retail business			
Net Sales					
(1) Sales to external customers	110,711	15,423	126,135	—	126,135
(2) Intersegment sales or transferred amount	492	28	521	(521)	—
Total	111,203	15,452	126,656	(521)	126,135
Segment income (loss)	337	(43)	294	(0)	294

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

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

3. Intersegment sales or transferred amount are calculated based on current market price.

2. Reportable segment information concerning impairment losses or goodwill amortization

(Important impairment loss related to noncurrent assets)

Not applicable

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable

II. Cumulative period through the consolidated first quarter of this fiscal year (April 1 – June 30, 2016)

1. Information on sales, profits or losses, assets, liabilities, and other items for each segment

(Units: Millions of yen)

	Reportable segment		Total	Adjustment Amount*1	Consolidated balance sheet amount*2
	Restaurant business	Retail business			
Net Sales					
(1) Sales to external customers	113,303	15,136	128,439	—	128,439
(2) Intersegment sales or transferred amount	675	25	701	(701)	—
Total	113,979	15,162	129,141	(701)	128,439
Segment income	2,434	194	2,628	(0)	2,628

Note: 1. Adjustment amount of segment income of -¥0 million are mainly elimination of intersegment transactions

2. The total amount of segment income is adjusted with the operating income in the quarterly consolidated statement of profit and loss.

3. Intersegment sales or transferred amount are calculated based on current market price.

2. Reportable segment information concerning impairment losses or goodwill amortization (Important impairment loss related to noncurrent assets)

Not applicable

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable