

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

February 6, 2018

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Code Number: 7550 URL <http://www.zensho.co.jp/>
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Scheduled date for submission of quarterly securities report: February 6, 2018 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 Cumulative Third Quarter (April 1, 2017 to December 31, 2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2017	435,753	7.3	13,672	(7.2)	13,861	(2.3)	6,869	(9.2)
December 31, 2016	405,931	2.3	14,733	62.9	14,185	63.5	7,565	126.7

Note: Comprehensive income Nine months ended December 31, 2017 6,621 million yen(-39.9 %)
Nine months ended December 31, 2016 11,022 million yen(283.6 %)

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Nine months ended	Yen	Yen
December 31, 2017	46.37	-
December 31, 2016	50.93	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
Nine months ended	Million yen	Million yen	%	Yen
December 31, 2017	298,598	83,607	23.1	470.05
Fiscal year ended March 31, 2017	288,999	82,107	23.5	458.07

Note: Shareholders' Equity: December 31, 2017 69,096 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	-		
Fiscal year ending March 31, 2018 (forecast)				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)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	595,180	9.4	21,692	15.5	20,676	14.5	9,660	14.4	65.21

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 December 31, 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 December 31, 2017	2,640,543 shares	As of March 31, 2017	1,396,423 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	Nine months ended December 31, 2017	148,131,468 shares	Nine months ended December 31, 2016	148,553,785 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 Cumulative Third Quarter Ended December 31, 2017

(1) Details of Consolidated Financial Results

In the cumulative third quarter of the fiscal year under review (from April 1, 2017 to December 31, 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 increasing geopolitical risk in East Asia.

In the restaurant industry, although personal consumption is recovering gradually, the business environment remained stringent because of the soaring costs of ingredients and rising personnel expenses.

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 101.8%, 98.0%, and 102.0% year-on-year, respectively.

At the end of the third quarter of the fiscal year under review, the number of stores stood at 4,990, resulting from 171 new store openings and 62 closures.

Consequently, the business performance in the cumulative third quarter of the fiscal year under review showed sales of 435,753 million yen (up 7.3% year-on-year), operating profit of 13,672 million yen (down 7.2% year-on-year), ordinary profit of 13,861 million yen (down 2.3% year-on-year), and profit attributable to owners of parent of 6,869 million yen (down 9.2% year-on-year).

An overview of conditions by business segment is provided below.

① Restaurant business

The sales of the restaurant business in the cumulative third quarter of the fiscal year under review were 371,996 million yen (up 4.1% year-on-year), and the operating profit was 13,078 million yen (down 6.6% 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 December 31, 2017 stood at 2,759, as a result of 104 new restaurant openings and 26 closures. The breakdown is 1,953 restaurants of Sukiya, 461 restaurants of Nakau (including 13 franchised restaurants), and others.

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., launched "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]) to address the various needs of customers, under the theme of "Let's be Healthy at Sukiya". In addition, Sukiya made efforts to further enhance the product competitiveness by introducing "Wagyu Sukiyaki Don" (rice bowl topped with Japanese beef sukiyaki) (regular size: 690 yen [tax included]), as a celebration of winning the World Branding Awards for the second consecutive year, "Oden" (steamed vegetables, eggs, and fishcakes in Japanese broth), which is perfect for a cold winter day (250 yen [tax included]), and "Gyu-sukinabe Teishoku" (beef sukiyaki pot set meal) with plenty of vegetables (regular size: 680 yen [tax included]) to offer a wider range of products.

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 cumulative third quarter of the fiscal year under review totaled 153,453 million yen (up 4.1% year-on-year).

(Family Dining category)

The number of restaurants in the Family Dining category at the end of December 31, 2017 stood at 1,364 (including 78 franchised restaurants), as a result of 19 new restaurant openings and 17 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 cumulative third quarter of the fiscal year under review were 95,845 million yen (down 1.4% year-on-year).

(Fast Food Service category)

The number of restaurants in the Fast Food Service category at the end of December 31, 2017 stood at 746, as a result of 48 new restaurant openings and 8 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 cumulative third quarter of the fiscal year under review were 99,072 million yen (up 8.3% year-on-year).

(Other category)

Sales in the Other category in the cumulative third quarter of the fiscal year under review were 23,625 million yen (up 11.9% 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 cumulative third quarter of the fiscal year under review were 63,756 million yen (up 31.0% year-on-year), and the operating profit was 592 million yen (down 19.2% 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 ¥298,598 million as of December 31, 2017, an increase of ¥9,599 million compared with the previous fiscal year-end. This increase was mainly due to an increase in property, plant and equipment resulted from new store investments.

(Liabilities)

Liabilities amounted to ¥214,990 million as of December 31, 2017, an increase of ¥8,099 million compared with the previous fiscal year-end. This increase was mainly due to the increases in interest-bearing liabilities and notes and account payable.

(Net Assets)

Net Assets came at ¥83,607 million as of December 31, 2017, an increase of ¥1,499 million compared with the previous fiscal year-end. This increase was mainly due to an increase in retained earnings.

(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 3Q, Current fiscal year (As of December 31, 2017)
Assets		
Current Assets		
Cash and deposits	22,274	22,819
Notes and accounts receivable - trade	6,399	8,753
Merchandise and finished goods	18,471	17,619
Work in process	752	713
Raw materials and supplies	4,355	6,038
Other	16,207	19,420
Allowance for doubtful accounts	(11)	(11)
Total current assets	68,450	75,353
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	181,641	187,269
Accumulated Depreciation	(102,276)	(106,380)
Buildings and structures, net	79,364	80,888
Machinery, equipment and vehicles	12,755	13,824
Accumulated Depreciation	(6,772)	(7,433)
Machinery, equipment and vehicles, net	5,982	6,390
Other	90,248	96,977
Accumulated Depreciation	(45,601)	(48,043)
Other, net	44,646	48,934
Total property, plant and equipment	129,993	136,214
Intangible assets		
Goodwill	18,928	18,872
Other	2,971	3,368
Total intangible assets	21,899	22,241
Investments and other assets		
Investment securities	3,570	1,159
Guarantee deposits	33,116	33,471
Other	31,887	30,102
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	68,561	64,719
Total non-current assets	220,454	223,174
Deferred assets	93	70
Total assets	288,999	298,598

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2017)	End of 3Q, Current fiscal year (As of December 31, 2017)
Liabilities		
Current Liabilities		
Notes and accounts payable, trade	19,046	21,523
Short-term loans payable	2,662	11,263
Current portions of bonds	4,925	2,220
Current portion of long-term loans payable	43,485	34,109
Income taxes payable	2,491	959
Provision	1,869	1,091
Other	28,334	31,485
Total current liabilities	102,815	102,653
Non-current liabilities		
Bonds payable	10,580	9,600
Long-term loans payable	75,492	82,873
Net defined benefit liability	570	572
Asset retirement obligations	2,396	2,493
Other	15,036	16,797
Total non-current liabilities	104,075	112,337
Total liabilities	206,891	214,990
Net assets		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,261
Retained earnings	21,967	26,129
Treasury shares	(2,021)	(4,399)
Total shareholders' equity	67,677	69,462
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	541	(31)
Deferred gains or losses on hedges	51	(135)
Remeasurements of defined benefit plans	(36)	(31)
Foreign currency translation adjustment	(327)	(166)
Total accumulated other comprehensive income	227	(365)
Non-controlling interests	14,202	14,510
Total net assets	82,107	83,607
Total liabilities and net assets	288,999	298,598

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Cumulative Third Quarter, Fiscal Year ending March 31, 2018)

(Million yen)

	Cumulative 3Q, Previous fiscal year (From April 1, 2016 to December 31, 2016)	Cumulative 3Q, Current fiscal year (From April 1, 2017 to December 31, 2017)
Net Sales	405,931	435,753
Cost of Sales	172,260	189,487
Gross Profit	233,670	246,265
Selling, General and Administrative Expenses	218,937	232,593
Operating Profit	14,733	13,672
Other Income		
Interest income	304	321
Dividend income	6	5
Rent income	166	148
Foreign exchange gains	—	434
Other	548	473
Total non-operating income	1,026	1,383
Non-operating expenses		
Interest expenses	816	621
Rent expenses	103	94
Foreign exchange losses	109	—
Other	544	478
Total non-operating expenses	1,573	1,194
Ordinary profit	14,185	13,861
Extraordinary income		
Gain on sales of non-current assets	8	132
Gain on sales of investment securities	2	94
Compensation income	12	259
Other	3	37
Total extraordinary income	26	524
Extraordinary losses		
Loss on sales of non-current assets	1	76
Loss on retirement of non-current assets	688	1,022
Other	587	702
Total extraordinary losses	1,277	1,800
Profit before income taxes	12,934	12,585
Income taxes - current	2,694	3,159
Income taxes - deferred	1,951	2,221
Total income taxes	4,645	5,380
Profit	8,288	7,205
Profit attributable to non-controlling interests	722	336
Profit attributable to owners of parent	7,565	6,869

(Quarterly Consolidated Statements of Comprehensive Income)
(Cumulative Third Quarter, Fiscal Year ending March 31, 2018)

	(Million yen)	
	Cumulative 3Q, Previous fiscal year (From April 1, 2016 to December 31, 2016)	Cumulative 3Q, Current fiscal year (From April 1, 2017 to December 31, 2017)
Profit	8,288	7,205
Other comprehensive income		
Valuation difference on available-for-sale securities	566	(570)
Deferred gains or losses on hedges	2,131	(186)
Remeasurements of defined benefit plans, net of tax	5	4
Foreign currency translation adjustment	29	168
Total other comprehensive income	2,733	(584)
Comprehensive income	11,022	6,621
(Breakdown)		
Comprehensive income attributable to owners of parent	10,291	6,283
Comprehensive income attributable to non-controlling interests	730	337

(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 Third quarter of Previous Fiscal Year (From April 1, 2016 to December 31, 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	357,245	48,685	405,931	—	405,931
Intersegment Sales or Transfers	2,071	31	2,102	(2,102)	—
Total	359,317	48,716	408,034	(2,102)	405,931
Segment Profit/(Loss)	13,999	734	14,733	(0)	14,733

- (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)

With the acquisition of shares in Fujita Corporation Co., Ltd. (currently Fresh Corporation Co., Ltd.) in the "Retail Business" segment, the company has been included in the scope of consolidation with effect from the three months ended December 31, 2017. With this acquisition, goodwill increased by 6,753 million yen.

(Major negative goodwill profit)

Not applicable.

II Third quarter of Fiscal Year under review (From April 1, 2017 to December 31, 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	371,996	63,756	435,753	—	435,753
Intersegment Sales or Transfers	1,558	21	1,579	(1,579)	—
Total	373,554	63,778	437,332	(1,579)	435,753
Segment Profit/(Loss)	13,078	592	13,671	0	13,672

- (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.