



## Financial Results (Consolidated) for First Quarter of Fiscal Year Ending March 2014 (Japanese Accounting Standards)

August 8, 2013

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE  
 Code no.: 7550 URL <http://www.zensho.co.jp/>  
 Representative: (title) Chairman of the Board and CEO (name) Kentaro Ogawa  
 (title) Senior General Manager of  
 Address any inquiries to: Group Finance and Accounting (name) Tetsuro Fukumoto (tel.) 03 (6833) 1600  
 Division  
 Starting date of dividend payment (planned): —  
 Date of submission of quarterly report (planned): August 8, 2013  
 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 2014 (April 1 – June 30, 2013)

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

	Sales		Operating profit		Ordinary profit		Quarterly net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1, FY 2014	109,302	10.6	1,619	(23.1)	1,720	(4.6)	66	(81.2)
Q1, FY 2013	98,856	4.2	2,106	(56.8)	1,803	(58.7)	355	(49.9)

Note: Comprehensive income: Q1, FY 2014: 565 million yen (up 586.9%); Q1, FY 2013: 82 million yen (down 91.8%)

	Quarterly net profit per share	Quarterly net profit per share – assuming dilution
	yen	yen
Q1, FY 2014	0.55	–
Q1, FY 2013	2.93	–

### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q1, FY 2014	255,508	54,565	16.4	346.39
FY 2013	258,509	55,218	16.5	351.83

Reference: Equity capital: Q1, FY 2014: 41,939 million yen; FY 2013: 42,599 million yen

### 2. Dividend position

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2013	–	8.00	–	8.00	16.00
FY2014	–				
FY 2014 (forecast)		8.00	–	8.00	16.00

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

### 3. Consolidated business performance forecasts for FY 2014 (April 1, 2013 – March 31, 2014)

(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)	236,030	14.8	9,968	11.8	9,072	11.4	3,194	0.6	26.38
Full year	473,927	13.5	18,863	28.0	17,232	24.2	6,259	23.8	51.70

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

Notes

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

New: \_\_\_\_ company(ies); name: \_\_\_\_\_ Removed: \_\_\_\_ company(ies); name: \_\_\_\_\_

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

(3) Changes in accounting policies, changes in accounting estimates, corrections

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

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

(iii) Change in accounting estimates: Y /  N

(iv) Corrections Y /  N

(4) Shares issued and outstanding (common stock)

(i) Ending number of shares issued and outstanding (including treasury stock)

Q1, FY 2014	121,100,000	shares	FY 2013	121,100,000	shares
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(ii) Ending number of shares of treasury stock

Q1, FY 2014	23,609	shares	FY 2013	23,497	shares
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(iii) Average shares during the fiscal year (quarter cumulative)

Q1, FY 2014	121,076,445	shares	Q1, FY 2013	121,076,640	shares
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Notes on implementation of 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 reports 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 information available at the time they were prepared. The Company makes no guarantees regarding the realization of these forecast figures. 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

In the first quarter of this consolidated fiscal year (April 1 – June 30, 2013), the Japanese economy witnessed a sign of economic recovery due to the expectations for the economic and financial measures of the new administration, but economic uncertainty has lingered, as the yen has weakened steeply and the economic growth of emerging countries has slowed down.

In the restaurant industry, we can see a sign of recovery of consumer confidence, but because the prices of ingredients remain high and electricity charges were raised, the business environment is still stringent. Operating in the Gyudon (beef bowl) category, Zensho Group's core business, Sukiya has maintained high net sales at existing restaurants over the medium to long term: net sales in the first quarter at existing restaurants were 113.6% relative to the 2003 figure and 107.9% relative to the 2009 figure. However, year-on-year figures showed a decline in net sales (to 93.6%). High prices of rice, meat and other foodstuffs, as well as increasing energy costs, have also contributed to a decrease in profits compared to the previous year. Coco's, Big Boy, and Jolly Pasta in the Family Dining category and Hamasushi, a chain in the Fast Food Service category that continues opening new outlets, all recorded strong performance overall in terms of net sales at existing restaurants.

At the end of the first quarter of this consolidated fiscal year, the Group's number of stores stood at 4,697 locations. Events contributing to this figure included the opening of 58 restaurants and the closing of 9 restaurants.

Consolidated business performance in the cumulative period through the first quarter of this consolidated fiscal year showed sales of 109,302 million yen (up 10.6% year-on-year), operating profit of 1,619 million yen (down 23.1% year-on-year), ordinary profit of 1,720 million yen (down 4.6% year-on-year), and quarterly net profit of 66 million yen (down 81.2% year-on-year).

Our company specializes in the single segment, the food business, which is composed of restaurant and retail businesses.

#### ① Restaurant business

The sales of the restaurant business for this consolidated fiscal year were 102,399 million yen (up 5.5% year-on-year), and operating profit was 2,025 million yen (down 2.9% year-on-year).

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

#### **Gyudon category**

With the opening of 38 restaurants and the closing of 4 restaurants, the number of restaurants in the Gyudon category at the end of the first quarter of this consolidated fiscal year totaled at 2,499. This figure includes 1,943 outlets in the Sukiya chain operated by Zensho Co., Ltd. and 482 outlets (including 24 franchised outlets) operated by Nakau Co., Ltd.

In addition to opening new locations and strengthening brand power through advertising, public relations, and other activities, Sukiya, a gyudon chain operated by Zensho Co., Ltd., strengthened its product lineup by adding new and seasonal products, such as Yakisoba Gyudon (regular size: 390 yen) in April and eel bowl (regular size: 780 yen) in May.

Sukiya also has been seeking to strengthen quality controls and improve its service to allow customers to continue to enjoy safe, delicious products with peace of mind.

Nakau, a Japanese-style gyudon and Kyoto-style udon noodle chain operated by Nakau Co., Ltd., sought to improve business performance by undertaking various sales promotions while strengthening the power of its products by introducing seasonal products and improving existing products.

Due to these efforts, sales in the Gyudon category in the cumulative period through the first quarter of this consolidated fiscal year totaled 43,567 million yen (down 0.6% year-on-year).

#### **Family Dining category**

With the closing of 5 restaurants and some conversions to other business types within the Group, the number of restaurant locations in the Family Dining category stood at 1,546 outlets at the end of the first quarter of this consolidated fiscal year.

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., sought to strengthen business performance through effective promotions to secure sales, cost cut through strengthened labor productivity etc., and improvement of in-store service.

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

Jolly Pasta restaurants, the chain that serves boiled spaghetti and handmade pizza, operated by Jolly-Pasta Co., Ltd. (former Sunday's Sun INC.), sought to make their menus even more delicious by improving their pasta sauces and by introducing full-featured seasonal menus. We have pursued the chain's identity as a pasta specialists, 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 safe, delicious products customers can enjoy with peace of mind.

Due to these efforts, sales in the Family Dining category in the cumulative period through the first quarter of this consolidated fiscal year totaled 36,498 million yen. (up 1.6% year-on-year)

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

With the opening of 20 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the first quarter of this consolidated fiscal year stood at 558.

Due to these efforts, sales in the Fast Food Service category in the cumulative period through the first quarter of this consolidated fiscal year totaled 18,660 million yen (up 38.2% year-on-year).

#### **Other category**

Net sales in the Other category in the cumulative period through the first quarter of this consolidated fiscal year totaled 3,672 million yen (down 3.8% year-on-year).

Main businesses in this category include Tolona Japan Co., Ltd., which produces and sells pizzas; Sanbishi Co., Ltd., which brews soy sauce; and Global Fresh Supply Co., Ltd., a company which handles logistics functions for the Zensho Group, and Global Table Supply Co., Ltd., which procures supplies, uniforms, and other equipment.

#### ② Retail business

The retail business of our company is operated by the two companies: Maruya Co., Ltd., which operates the supermarket business, and United Veggies Co., Inc., which sells fruits and vegetables.

The retail business is undergoing a structural reform, and the sales in the cumulative period through the first quarter of this consolidated fiscal year were 6,903 million yen, and operating loss was 405 million yen.

#### (2) Qualitative information on consolidated financial position

At the end of the first quarter of this consolidated fiscal year, the Group's assets decreased by 3 billion yen, due to the liquidation of construction assistance fund receivables, etc.

Liabilities decreased by 2,347 million yen, due to the payment of accrued income taxes, etc.

Net assets decreased by 653 million yen, due to payment of dividends, etc., which led to a decrease in retained earnings.

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

Forecasts of full-year business performance for the fiscal year ending March 2014 (April 1, 2013 – March 31, 2014) remain unchanged from those announced on May 14, 2013.

## 2. Notes on Summary Information (Notes)

### (1) Important changes in subsidiaries during the cumulative period through the first quarter of this consolidated 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, corrections

None

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	First quarter of this consolidated fiscal year (June 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	18,657	16,494
Notes and accounts receivable – trade	4,748	4,289
Merchandise and products	10,012	9,942
In-process inventories	510	530
Raw materials and supplies	2,492	2,653
Other receivables	13,403	12,240
Allowance for doubtful accounts	(10)	(13)
Total current assets	49,816	46,138
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	160,366	162,124
Accumulated depreciation	(82,418)	(84,220)
Buildings and structures (net)	77,947	77,903
Machinery and vehicles	12,583	13,095
Accumulated depreciation	(6,040)	(6,387)
Machinery and vehicles (net)	6,542	6,708
Other	74,069	76,244
Accumulated depreciation	(34,087)	(35,566)
Other (net)	39,981	40,678
Total property, plant, and equipment	124,471	125,290
Intangible assets		
Goodwill	12,399	12,170
Other	5,054	5,119
Total intangible assets	17,453	17,289
Investments and other assets		
Investment securities	4,276	6,379
Guarantee deposits	32,921	32,992
Other	29,398	27,265
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	66,574	66,615
Total noncurrent assets	208,498	209,195
Deferred assets	194	174
Total assets	258,509	255,508

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	First quarter of this consolidated fiscal year (June 30, 2013)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	13,281	12,201
Short-term loans payable	1,876	8,645
Current portion of bonds	5,990	5,990
Current portion of long-term loans payable	38,270	36,068
Accrued income taxes	3,280	932
Reserves	1,466	633
Other	33,005	31,742
Total current liabilities	97,170	96,214
Noncurrent liabilities		
Corporate bonds	19,583	18,485
Long-term loans payable	72,522	72,330
Reserves	582	578
Asset retirement obligations	1,609	1,628
Other	11,822	11,706
Total noncurrent liabilities	106,120	104,729
Total liabilities	203,291	200,943
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,089	10,089
Capital surplus	10,642	10,642
Retained earnings	25,812	24,776
Treasury stock	(20)	(20)
Total shareholders' equity	46,524	45,488
Accumulated other comprehensive profit		
Net unrealized holding gains on securities	(698)	(653)
Deferred hedging gains/losses	(149)	(100)
Foreign currency translation adjustments	(3,076)	(2,795)
Total accumulated other comprehensive profit	(3,924)	(3,548)
Non-controlling interests	12,619	12,625
Total net assets	55,218	54,565
Total liabilities and net assets	258,509	255,508

(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 first quarter of this consolidated fiscal year)

(Units: Millions of yen)

	Cumulative period through the first quarter of the previous consolidated fiscal year (April 1 – June 30, 2012)	Cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2013)
Sales	98,856	109,302
Cost of sales	36,060	42,763
Gross profit	62,796	66,538
Sales and general administrative expenses	60,689	64,919
Operating profit	2,106	1,619
Non-operating income		
Interest income	94	94
Dividend income	84	52
Lease income	85	82
Foreign exchange gains	—	330
Other	219	178
Total non-operating income	483	739
Non-operating expenses		
Interest expenses	533	454
Lease expenses	80	70
Other	172	113
Total non-operating expenses	786	638
Ordinary profit	1,803	1,720
Extraordinary income		
Gains on sale of noncurrent assets	0	5
Penalty income	—	6
Other	6	0
Total extraordinary income	6	12
Extraordinary losses		
Loss on sales of noncurrent assets	30	94
Other	134	84
Total extraordinary losses	164	179
Net profit before income taxes	1,644	1,553
Corporate, residence, and enterprise taxes	998	1,079
Income taxes – deferred	191	285
Total corporate taxes	1,189	1,365
Net profit before non-controlling interests	454	188
Non-controlling interests in income	98	121
Net profit	355	66

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

(Units: Millions of yen)

	Cumulative period through the first quarter of the previous consolidated fiscal year (April 1 – June 30, 2012)	Cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2013)
Net profit before non-controlling interests	454	188
Other comprehensive profit		
Valuation difference on available-for-sale securities	(50)	46
Deferred hedging gains/losses	(0)	49
Foreign currency translation adjustments	(321)	280
Total other comprehensive profit	(372)	377
Comprehensive profit	82	565
(Breakdown)		
Comprehensive profit attributable to parent company owners	(12)	442
Comprehensive profit attributable to non-controlling interests	95	122

(3) Notes on going concern assumption

Not applicable

(4) Segment information

[Segment information]

Cumulative period through the first quarter of the previous consolidated fiscal year (April 1 – June 30, 2012)

This information is omitted because the Group's only reporting segment is the food business.

Cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2013)

This information is omitted because the Group's only reporting segment is the food business.

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

Not applicable