

Financial Results (Consolidated) for the First Quarter of Fiscal Year Ending March 2013 (Japanese Accounting Standards)

August 1, 2012

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
 Address any inquiries to: (title) Managing Executive Director and CFO (tel.) 03 (6833) 1600
 (name) Takao Yuhara
 Date of submission of quarterly report (planned): August 1, 2012 Starting date of dividend payment —
 Supplemental explanatory materials on quarterly financial results prepared? N (planned):
 Investors meeting held on settlement of accounts? N

(Figures rounded down to the nearest million yen)

1. Consolidated financial performance in the first quarter of the fiscal year ending March 2013 (April 1 – June 30, 2012)

(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 2013	98,856	4.2	2,106	(56.8)	1,803	(58.7)	355	(49.9)
Q1, FY 2012	94,907	8.6	4,875	111.1	4,369	146.4	709	307.7

Note: Comprehensive income: Q1, FY 2013: 82 million yen (down 91.8%); Q1, FY 2012: 1,008 million yen (-%)

	Quarterly net profit per share	Quarterly net profit per share – assuming dilution
	yen	yen
Q1, FY 2013	2.93	–
Q1, FY 2012	5.86	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q1, FY 2013	238,842	48,024	15.6	308.01
FY 2012	235,981	49,066	16.2	316.59

Reference: Equity capital: Q1, FY 2013: 37,294 million yen; FY 2012: 38,331 million yen

2. Dividend position

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2012	–	8.00	–	8.00	16.00
FY2013	–				
FY 2013 (forecast)		8.00	–	8.00	16.00

Note: Change in most recently announced dividend forecasts? N

3. Consolidated business performance forecasts for FY 2013 (April 1, 2012 – March 31, 2013)

(Percentages [%] indicate changes from the previous year for annual figures and year-on-year changes for Q2 [cumulative] figures.)

	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)	216,756	9.3	14,085	8.7	12,736	7.5	6,324	72.1	52.23
Full year	436,124	8.2	27,327	30.1	24,737	28.2	12,337	302.0	101.89

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

New: ____ company(ies); name: _____ Removed: ____ company(ies); name: _____

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

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

- (i) Changes in accounting policies involving revisions of accounting standards: N
(ii) Other changes in accounting policies: N
(iii) Change in accounting estimates: N
(iv) Corrections N

- (4) Shares issued and outstanding (common stock)

- (i) Ending number of shares issued and outstanding (including treasury stock)
(ii) Ending number of shares of treasury stock
(iii) Average shares during the fiscal year (quarter cumulative)

Q1, FY 2013	121,100,000 shares	FY 2012	121,100,000 shares
Q1, FY 2013	23,315 shares	FY 2012	23,395 shares
Q1, FY 2013	121,076,640 shares	Q1, FY 2012	121,076,734 shares

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. 5 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 cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2012), Japan's economy showed signs of gentle recovery, boosted by demand related to earthquake recovery efforts. However, prospects remained unclear, given anxiety about slumping economic conditions overseas, the strength of the yen on international currency markets, and concerns about possible electricity supply restrictions. While personal consumption in the food-service industry demonstrated gentle recovery, harsh business conditions persisted, including the rising cost of raw materials and energy (electricity, gas, and other energy sources).

Operating in the Zensho Group's core business in the Gyudon (beef bowl) category, 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 132.7% relative to the 2003 figure and 118.3% relative to the 2009 figure. However, year-on-year figures show a decline in net sales (to 93.6%) at existing restaurants in the first quarter, a reaction to the increase in sales one year ago in the early stages of recovery from the Great East Japan Earthquake. Sukiya's profits declined year-on-year mainly due to the rising cost of ingredients (rice included) and to higher labor costs resulting from the new system of assigning multiple employees to late-night shifts at Sukiya restaurants to strengthen security. Overall, Coco's and Sunday's Sun in the Family Dining category and Hamasushi, a chain in the Fast Food Service category intended to spearhead the opening of new outlets, all recorded strong performance.

With the opening of 64 and the closing of 10 restaurants, the Group's number of restaurants at the end of the first quarter of this consolidated fiscal year stood at 4,393 locations.

Consolidated business performance in the cumulative period through the first quarter of this consolidated fiscal year showed sales of 98,856 million yen (up 4.2% year-on-year), operating profit of 2,106 million yen (down 56.8% year-on-year), ordinary profit of 1,803 million yen (down 58.7% year-on-year), and quarterly net profit of 355 million yen (down 49.9% year-on-year).

Information on reporting segments is omitted here because the Company's only reporting segment operates in the food industry. An overview of conditions in each of the major categories of the food business is provided below.

Gyudon category

With the opening of 50 restaurants and the closing of five restaurants, the number of restaurants in the Gyudon category at the end of the first quarter of this consolidated fiscal year totaled 2,361.

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 continuing to introduce new and seasonal products to the current lineup. Examples include Gomadare Kinpira Gyudon (regular size: 380 yen), a dish introduced in April 2012 and featuring a sesame flavor and the texture of chopped burdock root cooked in soy sauce and sugar; Tamagokake Gohan Choshoku (a rice and egg breakfast; regular size: 200 yen), a breakfast dish introduced in May based on the concept of starting a busy day at Sukiya; and Unadon (broiled-eel-and-rice bowls; regular size: 780 yen; offered from June), which proves popular every year. Sukiya also sought to strengthen quality controls and to improve services to create an environment in which customers can 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., sought to improve business performance by strengthening product power. Efforts included introducing seasonal products and improving existing products, as well as engaging in sales promotion activities at its restaurants.

Due to these efforts, sales in the Gyudon category in the cumulative period through the first quarter of this consolidated fiscal year totaled 43,732 million yen (up 3.2% year-on-year).

Family Dining category

With five closures and some conversions of restaurants to other business types within the Group, the number of restaurants in the Family Dining category at the end of the first quarter of this consolidated fiscal year stood at 1,570.

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., sought to strengthen business performance by improving in-store service. It continued efforts from the previous year to boost sales through effective promotions and to cut costs through strengthened labor productivity and other measures.

The Big Boy chain of hamburger and steak restaurants and other restaurants operated by Big Boy Japan Inc. sought to improve business performance in various ways, including improvements in its salad bar and soup bar and new set menus.

Jolly Pasta restaurants, the chain that sells boiled spaghetti and handmade pizza, and other restaurants operated by Sunday's Sun INC., sought to make their menus even more delicious by improving their pasta

sauces and by introducing full-featured seasonal menus. Under the slogan “When you want pasta, it’s Jolly Pasta,” these measures seek to underscore the chain’s identity as a pasta specialist.

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 35,908 million yen (up 0.3% year-on-year).

Fast Food Service category

Following the opening of 14 restaurants, including the conversion from other business types within the Group, 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 462. Due to these efforts, sales in the fast food category in the cumulative period through the first quarter of this consolidated fiscal year totaled 13,505 million yen (up 30.1% 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 5,710 million yen (down 10.0% year-on-year).

Main businesses included in this category include Tolona Japan Co., Ltd., which produces and sells pizzas; Sanbishi Co., Ltd., which produces and sells 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) Qualitative information on consolidated financial position

As of the end of the first quarter of this consolidated fiscal year, the Group’s assets increased by 2,861 million yen. Contributing factors included capital investment due to the opening of 64 new restaurants and expanding inventory due to efforts to promote direct trade.

Various factors increased liabilities by 3,902 million yen, including expanded debt assumed to open new restaurants.

Various factors reduced net assets by 1,041 million yen, including lower retained earnings due to dividend payments.

(3) Qualitative information on forecasts of consolidated business performance

Forecasts of business performance for the fiscal year ending March 2013 (April 1, 2012 – March 31, 2013) remain unchanged from forecasts announced May 9, 2012.

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, 2012)	First quarter of this consolidated fiscal year (June 30, 2012)
Assets		
Current assets		
Cash and deposits	18,580	18,792
Notes and accounts receivable – trade	4,774	4,138
Merchandise and products	7,179	8,366
In-process inventories	358	435
Raw materials and supplies	2,488	2,676
Other receivables	10,935	11,586
Allowance for doubtful accounts	(0)	(2)
Total current assets	44,317	45,992
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	141,312	142,857
Accumulated depreciation	(67,329)	(68,704)
Buildings and structures (net)	73,982	74,152
Machinery and vehicles	11,644	10,783
Accumulated depreciation	(6,049)	(5,218)
Machinery and vehicles (net)	5,594	5,564
Other	58,185	60,666
Accumulated depreciation	(26,102)	(27,491)
Other (net)	32,083	33,174
Total property, plant, and equipment	111,660	112,892
Intangible assets		
Goodwill	13,052	12,756
Other	5,260	4,998
Total intangible assets	18,312	17,754
Investments and other assets		
Investment securities	4,069	3,994
Guarantee deposits	30,560	30,480
Other	26,907	27,536
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	61,532	62,007
Total noncurrent assets	191,506	192,654
Deferred assets	157	195
Total assets	235,981	238,842

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2012)	First quarter of this consolidated fiscal year (June 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	11,067	10,753
Short-term loans payable	5,397	5,505
Current portion of bonds	3,190	4,190
Current portion of long-term loans payable	44,321	42,732
Accrued income taxes	6,366	723
Allowances	1,463	666
Other	22,458	26,803
Total current liabilities	94,264	91,374
Noncurrent liabilities		
Corporate bonds	11,375	16,075
Long-term loans payable	69,131	71,254
Allowances	358	358
Asset retirement obligations	1,267	1,289
Other	10,517	10,466
Total noncurrent liabilities	92,649	99,443
Total liabilities	186,914	190,817
Net assets		
Shareholders' equity		
Capital stock	10,089	10,089
Capital surplus	10,642	10,642
Retained earnings	22,691	22,022
Treasury stock	(20)	(20)
Total shareholders' equity	43,403	42,734
Accumulated other comprehensive profit		
Net unrealized holding gains on securities	(1,144)	(1,190)
Deferred hedging gains/losses	(579)	(580)
Foreign currency translation adjustments	(3,348)	(3,669)
Total accumulated other comprehensive profit	(5,071)	(5,440)
Non-controlling interests	10,734	10,730
Total net assets	49,066	48,024
Total liabilities and net assets	235,981	238,842

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

(Units: Millions of yen)

	Cumulative period through first quarter of previous consolidated fiscal year (April 1 – June 30, 2011)	Cumulative period through first quarter of this consolidated fiscal year (April 1 – June 30, 2012)
Sales	94,907	98,856
Cost of sales	32,941	36,060
Gross profit	61,966	62,796
Sales and general administrative expenses	57,090	60,689
Operating profit	4,875	2,106
Non-operating income		
Interest income	64	94
Dividend income	78	84
Lease income	190	85
Other	53	219
Total non-operating income	387	483
Non-operating expenses		
Interest expenses	639	533
Lease expenses	169	80
Other	84	172
Total non-operating expenses	893	786
Ordinary profit	4,369	1,803
Extraordinary income		
Gains on sale of noncurrent assets	0	0
Gains on sales of stock in affiliates	1,196	–
Other	6	6
Total extraordinary income	1,203	6
Extraordinary losses		
Loss on sales of noncurrent assets	114	30
Other	112	134
Total extraordinary losses	226	164
Net profit before income taxes	5,346	1,644
Corporate, residence, and enterprise taxes	2,333	998
Income taxes – past year	1,974	–
Income taxes – deferred	119	191
Total corporate taxes	4,427	1,189
Net profit before non-controlling interests	919	454
Non-controlling interests in income	209	98
Net profit	709	355

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

(Units: Millions of yen)

	Cumulative period through first quarter of previous consolidated fiscal year (April 1 – June 30, 2011)	Cumulative period through first quarter of this consolidated fiscal year (April 1 – June 30, 2012)
Net profit before non-controlling interests	919	454
Other comprehensive profit		
Valuation difference on available-for-sale securities	(115)	(50)
Deferred hedging gains/losses	16	(0)
Foreign currency translation adjustments	188	(321)
Total other comprehensive profit	88	(372)
Comprehensive profit	1,008	82
(Breakdown)		
Comprehensive income attributable to parent company owners	797	(12)
Comprehensive income attributable to non-controlling interests	210	95

(3) Notes on going concern assumption

Not applicable

(4) Segment information

[Segment information]

Cumulative period through the first quarter of previous consolidated fiscal year (April 1 – June 30, 2011)

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, 2012)

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