

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

November 8, 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): December 6, 2016  
 Date of submission of quarterly report (planned): November 8, 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 second quarter of the fiscal year ending March 2017 (April 1 – September 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	%
Q2, FY 2017	268,647	2.0	10,654	69.0	10,007	70.9	4,917	98.2
Q2, FY 2016	263,483	4.7	6,305	437.8	5,857	447.2	2,481	—

Note: Comprehensive income: Q2, FY 2017: 4,283 million yen (114.8%); Q2, FY 2016: 1,994 million yen (—%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q2, FY 2017	33.07	—
Q2, FY 2016	16.70	—

## (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q2, FY 2017	264,774	76,618	23.7	423.06
FY 2016	278,340	75,060	22.2	412.18

Reference: Equity capital: Q2, FY 2017: 62,716 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	—	9.00	—	—	—
FY 2017 (forecast)	—	—	—	9.00	18.00

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

For details regarding the revision to dividend forecast, please see the “Notice regarding the dividend from retained earnings and the revision to dividend forecast” announced on today (November 8, 2016.)

## 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		Profit attributable to owners of parent	Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	yen
Full year	558,861	6.3	17,710	46.2	16,772	47.4	7,029	74.6
								47.27

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 second quarter of this fiscal year: Y /

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

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

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

(ii) Other changes in accounting policies: Y /

(iii) Changes in accounting estimates: Y /

(iv) Restatement Y /

(4) Shares issued and outstanding (common stock)

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

Q2, FY 2017	149,640,445	shares	FY 2016	149,640,445	shares
Q2, FY 2017	1,396,423	shares	FY 2016	23,991	shares
Q2, FY 2017	148,709,513	shares	Q2, FY 2016	148,576,131	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. 4 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 second quarter of this fiscal year (April 1 – September 30, 2016), the trend of gentle economic recovery was seen as the environments of employment, income, etc. improved, but there remained market uncertainties, because of the risk of downturn of the global economy in emerging Asian countries, Europe, etc.

In the restaurant industry, the business environment remains stringent, reflecting deterioration in the balance between the demand and supply of labor, etc.

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 103.5% year-on-year, 96.2% year-on-year, and 98.9% 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 second quarter of this fiscal year, the Group's number of stores stood at 4,793 locations. Events contributing to this figure included the opening of 65 restaurants, the closing of 34 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 second quarter of this fiscal year showed sales of 268,647 million yen (up 2.0% year-on-year), operating income of 10,654 million yen (up 69.0% year-on-year), ordinary income of 10,007 million yen (up 70.9% year-on-year), and profit attributable to owners of parent of 4,917 million yen (up 98.2% year-on-year).

An overview of conditions by business segment is provided below.

#### ① Restaurant business

The sales of the restaurant business in the consolidated cumulative second quarter of this fiscal year were 238,408 million yen (up 2.5% year-on-year), and operating income was 10,358 million yen (up 60.6% year-on-year).

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

#### **Gyudon category**

With the opening of 34 restaurants and the closing of 12 restaurants, the number of restaurants in the Gyudon category at the end of the consolidated second quarter of this fiscal year totaled at 2,639. This figure includes 1,967 outlets in the Sukiya chain and 464 outlets (including 13 franchised outlets) in Nakau chain.

Sukiya, a gyudon chain operated by Sukiya Co., Ltd., has made efforts to improve its product competitiveness, by releasing "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," "Avocado Gyudon (rice bowl topped with beef and spicy Cajun sauce) (regular size: 490 yen [tax included])," "Arrabbiata Gyudon, the spiciest dish in Sukiya's history (regular size: 490 yen [tax included])," and "Sumibi Tondon (rice bowl topped with char-broiled pork and spicy-sweet sauce) (regular size: 580 yen [tax included])," etc., 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 second quarter of this fiscal year totaled 98,078 million yen (up 5.1% year-on-year).

#### **Family Dining category**

With the opening of 11 restaurants and the closing of 12 restaurants, the number of restaurant locations in the Family Dining category stood at 1,366 outlets (including 79 franchised outlets) at the end of the consolidated second 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 second quarter of this fiscal year totaled 65,091 million yen. (down 3.0% year-on-year)

### **Fast Food Service category**

With the opening of 18 restaurants, the closing of 7 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 second quarter of this fiscal year stood at 691 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 second quarter of this fiscal year totaled 61,657 million yen (up 5.6% year-on-year).

### **Other category**

Sales in the Other category in the consolidated cumulative second quarter of this fiscal year totaled 13,580 million yen (down 1.5% 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 second quarter of this fiscal year were 30,239 million yen (down 2.3% year-on-year) and operating income was 296 million yen (operating loss of 145 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**

### **① Assets, liabilities and net assets**

#### **(Assets)**

At the end of the consolidated second quarter of this fiscal year, the assets decreased by 13,565 million yen from the end of the previous consolidated fiscal year to 264,774 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. and the liquidation of a portion of assets, etc.

#### **(Liabilities)**

At the end of the consolidated second quarter of this fiscal year, liabilities decreased by 15,124 million yen from the end of the previous consolidated fiscal year to 188,156 million yen, mainly due to the decrease in loans payable.

#### **(Net assets)**

At the end of the consolidated second quarter of this fiscal year, net assets increased by 1,558 million yen from the end of the previous consolidated fiscal year to 76,618 million yen, mainly due to the increase in retained earnings, despite the decrease in assets resulting from the purchase of treasury shares.

### **② Cash flows**

#### **(Cash flow from operating activities)**

Cash flow from operating activities resulted in an increase in funds of 21,346 million yen (an increase in funds of 6,837 million yen in the same period of the previous year). This was mainly due to net income before taxes and other adjustments and depreciation being recorded.

#### **(Cash flow from investing activities)**

Cash flow from investing activities resulted in a decrease in funds of 5,962 million yen (a decrease in funds of 9,091 million yen in the same period of the previous year). This was mainly due to the expenditures on acquisition of property, plant and equipment to open new stores, despite the increase in funds by the sales of all shares of Yamato Foods Co., Ltd., etc. and the liquidation of a portion of assets.

(Cash flow from financing activities)

Cash flow from financing activities resulted in a decrease in funds of 19,244 million yen (a decrease in funds of 8,668 million yen in the same period of the previous year). This was mainly due to repayment of borrowings. As a result of the above, cash and cash equivalents decreased by 4,240 million yen from the end of previous fiscal year and totaled 16,684 million yen at the end of the consolidated second quarter of this fiscal year.

(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 second 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 second quarter of this fiscal year (September 30, 2016)
Assets		
Current assets		
Cash and deposits	20,925	16,684
Notes and accounts receivable – trade	5,443	5,598
Merchandise and products	17,988	16,669
In-process inventories	515	601
Raw materials and supplies	3,808	4,072
Other receivables	16,009	14,399
Allowance for doubtful accounts	(16)	(15)
Total current assets	64,675	58,010
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	170,269	172,388
Accumulated depreciation	(93,982)	(95,619)
Buildings and structures (net)	76,286	76,768
Machinery and vehicles	12,830	11,805
Accumulated depreciation	(6,371)	(6,262)
Machinery and vehicles (net)	6,459	5,542
Other	89,526	85,917
Accumulated depreciation	(44,832)	(43,333)
Other (net)	44,694	42,584
Total property, plant, and equipment	127,440	124,896
Intangible assets		
Goodwill	13,199	12,668
Other	2,998	2,850
Total intangible assets	16,197	15,518
Investments and other assets		
Investment securities	1,848	2,059
Guarantee deposits	33,511	32,889
Other	34,600	31,372
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	69,946	66,306
Total noncurrent assets	213,583	206,721
Deferred assets	81	43
Total assets	278,340	264,774

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Consolidated second quarter of this fiscal year (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	16,548	15,529
Short-term loans payable	3,870	814
Current portion of bonds	9,750	9,660
Current portion of long-term loans payable	33,207	37,522
Accrued income taxes	1,849	2,467
Reserves	1,587	1,904
Other	27,458	27,130
Total current liabilities	94,271	95,028
Noncurrent liabilities		
Corporate bonds	3,505	920
Long-term loans payable	89,467	75,418
Net defined benefit liability	748	575
Asset retirement obligations	2,109	2,123
Other	13,178	14,090
Total noncurrent liabilities	109,008	93,127
Total liabilities	203,280	188,156
Net assets		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,261
Retained earnings	15,697	19,889
Treasury stock	(21)	(2,021)
Total shareholders' equity	63,408	65,600
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(283)	(110)
Deferred hedging gains/losses	(1,209)	(1,270)
Remeasurements of defined benefit plans	(63)	(59)
Foreign currency translation adjustments	(184)	(1,443)
Total accumulated other comprehensive income	(1,740)	(2,884)
Non-controlling interests	13,391	13,902
Total net assets	75,060	76,618
Total liabilities and net assets	278,340	264,774

(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 second quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2015)	Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 30, 2016)
Sales	263,483	268,647
Cost of sales	115,386	113,249
Gross profit	148,097	155,398
Sales and general administrative expenses	141,792	144,744
Operating profit	6,305	10,654
Non-operating income		
Interest income	205	191
Dividend income	2	2
Lease income	127	112
Other	302	360
Total non-operating income	637	666
Non-operating expenses		
Interest expenses	669	556
Lease expenses	81	68
Foreign exchange losses	42	286
Other	291	401
Total non-operating expenses	1,085	1,313
Ordinary profit	5,857	10,007
Extraordinary income		
Gains on sale of noncurrent assets	0	7
Gain on sales of investment securities	0	0
Gain on sales of subsidiaries and affiliates' stocks	—	1
Compensation income for expropriation	6	12
Gain on liquidation of subsidiaries	285	—
Other	30	0
Total extraordinary income	324	22
Extraordinary losses		
Loss on retirement of noncurrent assets	167	489
Loss on closing of stores	244	49
Other	147	434
Total extraordinary losses	559	973
Net profit before income taxes	5,622	9,056
Corporate, residence and enterprise taxes	1,746	2,509
Income taxes – deferred	894	1,097
Total corporate taxes	2,641	3,607
Net profit before non-controlling interests	2,980	5,449
Profit attributable to non-controlling interests	499	531
Net profit attributable to owners of parent	2,481	4,917

## (Quarterly consolidated statement of comprehensive income)

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

(Units: Millions of yen)

	Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2015)	Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 30, 2016)
Net profit before non-controlling interests	2,980	5,449
Other comprehensive income		
Valuation difference on available-for-sale securities	100	163
Deferred hedging gains/losses	(479)	(61)
Remeasurements of defined benefit plans	0	3
Foreign currency translation adjustments	(608)	(1,272)
Total other comprehensive income	(986)	(1,166)
Comprehensive income	1,994	4,283
(Breakdown)		
Comprehensive income attributable to owners of parent	1,522	3,771
Comprehensive income attributable to non-controlling interests	471	511

## (3) Quarterly consolidated statement of cash flows

(Units: Millions of yen)

	Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September, 30, 2015)	Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September, 30, 2016)
Cash flows from operating activities		
Net profit before taxes and other adjustments	5,622	9,056
Depreciation	8,881	9,114
Amortization of goodwill	563	593
Amortization of negative goodwill	(1)	(1)
Increase (decrease) in allowance for doubtful accounts	4	—
Increase (decrease) in allowance for bonuses	228	361
Increase (decrease) in net defined benefit liability	(0)	(3)
Interest and dividends received	(207)	(193)
Interest expense	669	556
Foreign exchange losses (gains)	45	157
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(1)
Loss (gain) on sale of investment securities	(0)	(0)
Loss (gain) on sale of property, plant, and equipment	(0)	(6)
Loss on retirement of property, plant, and equipment	392	505
Other extraordinary losses (gains)	(281)	78
Other non-operating losses (gains)	13	(1)
Decrease (increase) in accounts receivable – trade	(533)	(424)
Decrease (increase) in inventories	371	923
Increase (decrease) in accounts payable – trade	186	(743)
Increase (decrease) in accrued consumption taxes	(3,426)	435
Decrease (increase) in other current assets	438	867
Decrease (increase) in other noncurrent assets	268	587
Increase (decrease) in other current liabilities	(3,655)	1,136
Increase (decrease) in other noncurrent liabilities	64	(31)
Subtotal	9,642	22,966
Interest and dividends received	48	34
Interest paid	(699)	(580)
Income taxes paid	(2,154)	(1,073)
Cash flows from operating activities	6,837	21,346

(Units: Millions of yen)

	Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September, 30, 2015)	Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September, 30, 2016)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(7,498)	(10,533)
Proceeds from sale of property, plant, and equipment	20	3,282
Purchase of intangible assets	(222)	(242)
Purchase of long-term prepaid expenses	(106)	(158)
Purchase of investment securities	(13)	(0)
Proceeds from sale of investment securities	6	0
Payments for transfer of business	(37)	(402)
Payments of loans receivable	(67)	(79)
Collection of loans receivable	103	0
Payments for guarantee deposits	(448)	(398)
Proceeds from collection of guarantee deposits	468	441
Proceeds from sales of stocks of subsidiaries and affiliates	—	1,724
Decrease (increase) in insurance funds	(0)	(3)
Decrease (increase) in premium receivable	(36)	(58)
Expenditures on long-term prepaid rents	(1,263)	(1,132)
Proceeds from fluidity of long-term prepaid rents	—	1,777
Other	5	(179)
Cash flows from investing activities	(9,091)	(5,962)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	5,396	(3,005)
Net increase (decrease) in short-term bonds payable	4,000	—
Proceeds from long-term loans payable	4,500	7,000
Repayment of long-term loans payable	(18,717)	(16,779)
Redemption of bonds	(2,745)	(2,675)
Repayment of lease obligations	(1,011)	(1,003)
Purchase of treasury stock	(0)	(2,000)
Purchase of treasury stock in consolidated subsidiaries	(0)	(0)
Repayment of installment payables	(58)	(22)
Proceeds from share issuance to non-controlling shareholders	91	108
Payment of dividends	(4)	(748)
Dividends paid to non-controlling interests	(119)	(118)
Cash flows from financing activities	(8,668)	(19,244)
Effect of exchange rate changes on cash and cash equivalents	(115)	(422)
Increase (decrease) in cash and cash equivalents	(11,037)	(4,283)
Beginning balance of cash and cash equivalents	29,428	20,925
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	402	9
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	—	33
Ending balance of cash and cash equivalents	18,793	16,684

(4) 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 second quarter of the previous fiscal year (April 1 – September 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	232,546	30,936	263,483	—	263,483
(2) Intersegment sales or transferred amount	1,013	57	1,070	(1,070)	—
Total	233,560	30,994	264,554	(1,070)	263,483
Segment income (loss)	6,451	(145)	6,305	(0)	6,305

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 second quarter of this fiscal year (April 1 – September 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	238,408	30,239	268,647	—	268,647
(2) Intersegment sales or transferred amount	1,360	28	1,388	(1,388)	—
Total	239,769	30,267	270,036	(1,388)	268,647
Segment income	10,358	296	10,654	(0)	10,654

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

(Important events after the reporting period)

Japan Retail Holdings Co., Ltd., which is a 100% subsidiary of our company, decided at the board of directors meeting held on October 18, 2016 to acquire some of common shares of Fujita Corporation and reorganize it into a (second-tier) subsidiary of our company, and concluded the contract for the transfer of shares on the same day.

1. Outline of business combination

(1) Name and business content of the acquired enterprise

Name of the acquired enterprise: Fujita Corporation

Business content: operation of grocery stores and delicatessen shops

(2) Major reasons for business combination

Our corporate group operates business globally with the mission to conduct the food business broadly and serve delicious dishes for people around the world at affordable prices, under the corporate ethos of “to eradicate hunger and poverty from the world.” In order to offer safe, delicious foods to customers, we developed our original mass-merchandizing (MMD) system, to manage all processes including ingredient procurement, production, processing, distribution, and sale, secure safety, expand our business, and pursue the synergy in our corporate group.

In addition, our corporate group considers that it is indispensable to operate more channels for offering products in order to develop an MMD system, and has made efforts to expand the food retail business by taking full advantage of the food procurement and product development capabilities, restaurant operation know-how, etc. based on the MMD system nurtured in the restaurant business, since the M&A of Maruya Co., Ltd. in November 2012. At present, our company operates about 100 stores, including the grocery supermarkets “Maruya,” “Maruei,” and “VERY FOODS - Owariya -,” and the fruit and vegetable shop “United Veggies,” which are located mainly in the Kanto region.

On the other hand, Fujita Corporation operates a total of 44 stores, including the grocery supermarkets “Fuji Mart,” “Avance,” “Marche,” and the deli shop “Delicious,” which are located mainly in Gunma Prefecture. Its store network has a geographically complementary relation with the food retail store network of our corporate group.

We judged that the above mentioned acquisition of shares would produce synergetic effects in the fields of product development, ingredient procurement, distribution, store operation, land development, etc. and then improve the competitiveness of the food retail business of our corporate group.

(3) Date of business combination

November 21, 2016 (plan)

(4) Legal format of business combination

Acquisition of shares in cash

(5) Name of the enterprise after combination

Fujita Corporation

(6) Ratio of acquired voting rights

Ratio of voting rights held before business combination: —

Ratio of voting rights obtained at the date of business combination: 97.1% (plan)

Ratio of voting rights after acquisition: 97.1% (plan)

(7) Major reason why the above enterprise was selected

Japan Retail Holdings Co., Ltd. acquired the shares in cash.

2. Breakdown of the acquisition cost and price of the acquired enterprise for each type

Acquisition cost is being calculated.

The price of shares additionally acquired on the date of business combination will be 12,429 million yen.

3. Amount of goodwill that has emerged, reasons for the emergence, amortization method and period

To be determined

4. Assets and liabilities transferred on the date of business combination, and the breakdown of them

To be determined