



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

February 14, 2017

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): February 14, 2017  
 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 third quarter of the fiscal year ending March 2017 (April 1 – December 31, 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	%
Q3, FY 2017	405,931	2.3	14,733	62.9	14,185	63.5	7,565	126.7
Q3, FY 2016	396,650	3.5	9,042	528.6	8,674	361.3	3,336	—

Note: Comprehensive income: Q3, FY 2017: 11,022 million yen (283.6%); Q3, FY 2016: 2,873 million yen (504.9%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q3, FY 2017	50.93	—
Q3, FY 2016	22.46	—

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q3, FY 2017	297,435	81,893	22.8	457.99
FY 2016	278,340	75,060	22.2	412.18

Reference: Equity capital: Q3, FY 2017: 67,894 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

### 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 third 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

Q3, FY 2017	149,640,445	shares	FY 2016	149,640,445	shares
Q3, FY 2017	1,396,423	shares	FY 2016	23,991	shares
Q3, FY 2017	148,553,785	shares	Q3, FY 2016	148,576,106	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 third quarter of this fiscal year (April 1 – December 31, 2016), the trend of gentle economic recovery was seen due mainly to improvements in corporate earnings and employment situation, but the future outlook remained unclear, because of the growing uncertainties over the global economy, including the trends of the economies of the U.S., emerging Asian countries, and Europe.

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 102.7% year-on-year, 97.2% year-on-year, and 97.7% 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 third quarter of this fiscal year, the Group's number of stores stood at 4,864 locations. Events contributing to this figure included the opening of 124 restaurants, the closing of 56 restaurants, the addition of 34 restaurants through the acquisition of the shares of Fujita Corporation, 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 third quarter of this fiscal year showed sales of 405,931 million yen (up 2.3% year-on-year), operating income of 14,733 million yen (up 62.9% year-on-year), ordinary income of 14,185 million yen (up 63.5% year-on-year), and profit attributable to owners of parent of 7,565 million yen (up 126.7% 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 third quarter of this fiscal year were 357,245 million yen (up 2.1% year-on-year), and operating income was 13,999 million yen (up 57.3% year-on-year).

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

#### **Gyudon category**

With the opening of 72 restaurants and the closing of 22 restaurants, the number of restaurants in the Gyudon category at the end of the consolidated third quarter of this fiscal year totaled at 2,667. This figure includes 1,964 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," "Breakfast with bacon and asparagus (regular size: 350 yen [tax included])" and "Avocado Gyudon (rice bowl topped with beef and spicy Cajun sauce) (regular size: 490 yen [tax included])," etc., in order to meet the various needs of customers. In addition, Sukiya released "Japanese Wagyu Beef Boxed Lunch (1,080 yen [tax included])" as Sukiya received "Brand of the Year" for the first time among restaurant brands in Japan at World Branding Awards, which commends excellent brands around the world.

The company will pursue the development of restaurants that will be loved by customers, and strive to improve the level of restaurants and strengthen quality controls 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 third quarter of this fiscal year totaled 147,417 million yen (up 4.5% year-on-year).

#### **Family Dining category**

With the opening of 17 restaurants and the closing of 17 restaurants, the number of restaurant locations in the Family Dining category stood at 1,367 outlets (including 79 franchised outlets) at the end of the consolidated third 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 third quarter of this fiscal year totaled 97,248 million yen. (down 1.9% year-on-year)

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

With the opening of 32 restaurants, the closing of 14 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 third quarter of this fiscal year stood at 698 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 third quarter of this fiscal year totaled 91,467 million yen (up 3.2% year-on-year).

#### **Other category**

Sales in the Other category in the consolidated cumulative third quarter of this fiscal year totaled 21,112 million yen (up 0.6% 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 third quarter of this fiscal year were 48,685 million yen (up 4.1% year-on-year) and operating income was 734 million yen (up 420.3% year-on-year).

The retail business of our company is operated by Maruya Co., Ltd., Maruei Co., Ltd., VERY FOODS - Owariya - , and Fujita Corporation, which operates the supermarket business, and United Veggies Co., Inc., which sells fruit and vegetables. Zensho Holdings acquired the shares of Fujita Corporation, which operates food supermarkets, on November 21, 2016. Fujita Corporation became a subsidiary of Japan Retail Holdings, which is a subsidiary of Zensho Holdings, (a second-tier subsidiary of Zensho Holdings), and has been included in the scope of consolidation from December 2016.

(2) Information on consolidated financial position

(Assets)

At the end of the consolidated third quarter of this fiscal year, the assets increased by 19,095 million yen from the end of the previous consolidated fiscal year to 297,435 million yen, mainly due to the increases in cash, property, plant and equipment, such as buildings, goodwill, etc. through the acquisition of the shares of Fujita Corporation.

(Liabilities)

At the end of the consolidated third quarter of this fiscal year, liabilities increased by 12,261 million yen from the end of the previous consolidated fiscal year to 215,541 million yen, mainly due to the increases in accounts payable, accrued income tax, etc. through the acquisition of the shares of Fujita Corporation.

(Net assets)

At the end of the consolidated third quarter of this fiscal year, net assets increased by 6,833 million yen from the end of the previous consolidated fiscal year to 81,893 million yen, mainly due to the increase in retained earnings.

(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 third 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 third quarter of this fiscal year (December 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	20,925	24,060
Notes and accounts receivable – trade	5,443	7,634
Merchandise and products	17,988	18,867
In-process inventories	515	632
Raw materials and supplies	3,808	5,373
Other receivables	16,009	18,778
Allowance for doubtful accounts	(16)	(18)
Total current assets	64,675	75,330
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	170,269	180,262
Accumulated depreciation	(93,982)	(100,728)
Buildings and structures (net)	76,286	79,533
Machinery and vehicles	12,830	12,405
Accumulated depreciation	(6,371)	(6,571)
Machinery and vehicles (net)	6,459	5,834
Other	89,526	90,409
Accumulated depreciation	(44,832)	(45,400)
Other (net)	44,694	45,009
Total property, plant, and equipment	127,440	130,377
Intangible assets		
Goodwill	13,199	19,352
Other	2,998	2,982
Total intangible assets	16,197	22,335
Investments and other assets		
Investment securities	1,848	3,302
Guarantee deposits	33,511	33,240
Other	34,600	32,840
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	69,946	69,368
Total noncurrent assets	213,583	222,080
Deferred assets	81	24
Total assets	278,340	297,435



(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2016)	Consolidated third quarter of this fiscal year (December 31, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	16,548	22,153
Short-term loans payable	3,870	24,851
Current portion of bonds	9,750	3,860
Current portion of long-term loans payable	33,207	42,077
Accrued income taxes	1,849	2,755
Reserves	1,587	980
Other	27,458	32,510
Total current liabilities	94,271	129,189
Noncurrent liabilities		
Corporate bonds	3,505	620
Long-term loans payable	89,467	67,999
Net defined benefit liability	748	581
Asset retirement obligations	2,109	2,404
Other	13,178	14,747
Total noncurrent liabilities	109,008	86,352
<b>Total liabilities</b>	<b>203,280</b>	<b>215,541</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,261
Retained earnings	15,697	21,195
Treasury stock	(21)	(2,021)
Total shareholders' equity	63,408	66,906
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(283)	288
Deferred hedging gains/losses	(1,209)	922
Remeasurements of defined benefit plans	(63)	(57)
Foreign currency translation adjustments	(184)	(165)
Total accumulated other comprehensive income	(1,740)	987
Non-controlling interests	13,391	13,999
<b>Total net assets</b>	<b>75,060</b>	<b>81,893</b>
<b>Total liabilities and net assets</b>	<b>278,340</b>	<b>297,435</b>

(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 third quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated third quarter of the previous fiscal year (April 1 – December 31, 2015)	Cumulative period through the consolidated third quarter of this fiscal year (April 1 – December 31, 2016)
Sales	396,650	405,931
Cost of sales	173,043	172,260
Gross profit	223,607	233,670
Sales and general administrative expenses	214,564	218,937
Operating profit	9,042	14,733
Non-operating income		
Interest income	307	304
Dividend income	5	6
Lease income	191	166
Foreign exchange gains	204	—
Other	426	548
Total non-operating income	1,136	1,026
Non-operating expenses		
Interest expenses	987	816
Lease expenses	124	103
Foreign exchange losses	—	109
Other	392	544
Total non-operating expenses	1,504	1,573
Ordinary profit	8,674	14,185
Extraordinary income		
Gains on sale of noncurrent assets	0	8
Gain on sales of investment securities	0	2
Gain on sales of subsidiaries and affiliates' stocks	—	1
Compensation income for expropriation	28	12
Gain on liquidation of subsidiaries	285	—
Insurance income	130	—
Other	35	1
Total extraordinary income	481	26
Extraordinary losses		
Loss on sales of noncurrent assets	1	1
Loss on retirement of noncurrent assets	551	688
Impairment loss	6	—
Other	562	587
Total extraordinary losses	1,122	1,277
Net profit before income taxes	8,032	12,934
Corporate, residence and enterprise taxes	2,236	2,694
Income taxes – deferred	1,816	1,951
Total corporate taxes	4,052	4,645
Net profit before non-controlling interests	3,979	8,288
Profit attributable to non-controlling interests	643	722
Net profit attributable to owners of parent	3,336	7,565

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

(Units: Millions of yen)

	Cumulative period through the consolidated third quarter of the previous fiscal year (April 1 – December 31, 2015)	Cumulative period through the consolidated third quarter of this fiscal year (April 1 – December 31, 2016)
Net profit before non-controlling interests	3,979	8,288
Other comprehensive income		
Valuation difference on available-for-sale securities	108	566
Deferred hedging gains/losses	(516)	2,131
Remeasurements of defined benefit plans	0	5
Foreign currency translation adjustments	(698)	29
Total other comprehensive income	(1,106)	2,733
Comprehensive income	2,873	11,022
(Breakdown)		
Comprehensive income attributable to owners of parent	2,243	10,291
Comprehensive income attributable to non-controlling interests	629	730

(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 third quarter of the previous fiscal year (April 1 – December 31, 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	349,866	46,783	396,650	—	396,650
(2) Intersegment sales or transferred amount	1,532	87	1,619	(1,619)	—
Total	351,399	46,870	398,270	(1,619)	396,650
Segment income (loss)	8,901	141	9,042	(0)	9,042

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)

In the “retail business” segment, the impairment loss of store assets has been posted. The amount of the impairment loss was 6 million yen in the consolidated cumulative third quarter of this fiscal year.

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable

II. Cumulative period through the consolidated third quarter of this fiscal year (April 1 – December 31, 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	357,245	48,685	405,931	—	405,931
(2) Intersegment sales or transferred amount	2,071	31	2,102	(2,102)	—
Total	359,317	48,716	408,034	(2,102)	405,931
Segment income	13,999	734	14,733	(0)	14,733

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)

In the “retail business” segment, Fujita Corporation has been included in the scope of consolidation in the consolidated cumulative third quarter of this fiscal year, as the shares of Fujita Corporation were acquired. Through this, goodwill increased by 6,753 million yen.

(Important negative goodwill profit)

Not applicable