

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese Accounting Standards)

May 14, 2019

Company Name: **Zensho Holdings Co., Ltd.** Stock Listings Tokyo Stock Exchange  
Code Number: 7550 URL <http://www.zensho.co.jp/>  
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Scheduled date for annual general shareholders' meeting: June 21, 2019  
Scheduled date for submission of annual securities report: June 24, 2019  
Scheduled date for payment of dividends: June 24, 2019  
Supplementary documents for financial results : Yes  
Financial results briefing : Yes (for institutional investors)

(Figures rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year ended March 2019 (April 1, 2018 to March 31, 2019)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
Fiscal Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	607,679	4.9	18,834	6.9	18,211	3.1	9,924	24.0
March 31, 2018	579,108	6.4	17,611	(6.2)	17,656	(2.2)	8,001	(5.2)

Note: Comprehensive income Fiscal Year ended March 31, 2019 9,739 million yen ( 40.4 %)

Fiscal Year ended March 31, 2018 6,938 million yen ( 38.8 %)

	Earnings per share	Diluted earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating Margin
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2019	67.93	—	14.2	5.4	3.1
March 31, 2018	54.18	—	11.8	6.0	3.0

Note: Gain/loss on equity method investments: March 31, 2019 122 million yen March 31, 2018 - million yen

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
Fiscal Year ended	Million yen	Million yen	%	Yen
March 31, 2019	377,779	87,083	19.1	496.34
March 31, 2018	295,316	82,204	22.9	461.76

Note: Shareholders' Equity: March 31, 2019 72,162 million yen March 31, 2018 67,495 million yen

#### (3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Ending balance of cash and cash equivalents
Fiscal Year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2019	33,129	(52,143)	50,300	57,240
March 31, 2018	37,162	(24,663)	(9,073)	26,142

### 2. Dividends

	Dividend per Share					Total dividend amount (full-year)	Consolidated Payout ratio	Dividends on consolidated net assets
	End of Q1	End of Q2	End of Q3	Year-end	Full year			
Fiscal Year ended /ending	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2018	-	9.00	-	9.00	18.00	2,649	33.2	3.9
March 31, 2019	-	9.00	-	9.00	18.00	2,624	26.5	3.8
March 31, 2020 (forecast)	-	10.00	-	10.00	20.00		27.8	

### 3. Consolidated Forecasts for Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages (%) indicate changes from the previous year for annual figures and year-on year changes for quarterly figures)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (Cumulative)	328,640	9.6	12,200	18.0	11,318	12.4	6,238	24.8	42.91
Full year	661,367	8.8	23,848	26.6	22,133	21.5	10,460	5.4	71.95

## Notes

- (1) Changes of important subsidiaries during the period  
(changes in specified subsidiaries resulting in change in scope of consolidation) : None
- (2) 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

### (3) Shares issued and outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury stock)	As of March 31, 2019	149,640,445 shares	As of March 31, 2018	149,640,445 shares
(ii) Number of treasury stocks at the end of the period	As of March 31, 2019	4,251,546 shares	As of March 31, 2018	3,469,463 shares
(iii) Average number of shares outstanding during the term	FY ended March 31, 2019	146,098,712 shares	FY ended March 31, 2018	147,681,826 shares

Note: Please refer to "Per Share Information" on p.16 concerning the number of shares on which calculations of net profit per share (consolidated) are based.

## (Reference)

### 1. Non-consolidated Financial Results for the Fiscal Year ended March 2019 (April 1, 2018 to March 31, 2019)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
Fiscal Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	254,448	2.1	2,717	(8.2)	7,222	(21.3)	6,297	92.7
March 31, 2018	249,115	2.4	2,959	(32.0)	9,177	47.7	3,268	(12.5)

	Earnings per share	Diluted earnings per share
Fiscal Year ended	Yen	Yen
March 31, 2019	43.11	—
March 31, 2018	22.13	—

#### (2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
Fiscal Year ended	Million yen	Million yen	%	Yen
March 31, 2019	342,687	55,342	16.1	380.65
March 31, 2018	285,062	53,677	18.8	367.22

Note: Shareholders' Equity: March 31, 2019 55,342 million yen March 31, 2018 53,677 million yen

#### Year-on-year differences in net profit

In the FY ended March 2018, a loss on sales of shares of subsidiaries and associates of JPY 2,685 million was recorded as an extraordinary loss as stated in the "Notice Regarding Change in Consolidated Subsidiary Company (Sale of Equity and Shares) and Recording of Loss on Sales of Affiliated Company Shares (Extraordinary Loss) in Non-Consolidated Financial Results" released on February 20, 2018. In addition, a loss on valuation of shares of subsidiaries and associates of JPY 2,709 million was recorded as an extraordinary loss as stated in the "Notice Regarding Difference between the Company's Full-year Results and the Results for the Previous Fiscal Year and Recording of a Loss on Valuation of Shares of Subsidiaries and Associates (Extraordinary Loss) in Non-consolidated Result." As no such losses are recorded in the non-consolidated results for the fiscal year ended March 2019, net income increased by 92.7% as compared with the previous fiscal year.

- \* This consolidated financial results report is exempt from audit procedures of certified accountants and/or auditing firms.

- \* Explanation and other special notes concerning the appropriate use of forecasted business performance

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.5 of the Appendix for information on the above forecast.

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## 1. Overview of Management Results and Related Matters

### (1) Overview of Consolidated Management Results for the Term Under Review

In the fiscal year under review (from April 1, 2018 to March 31, 2019), uncertainty over the future economic conditions in Japan remained with the backdrop of frequent large-scale natural disasters although employment environment improved while trade conflicts were intensified and confusion over the Brexit in Europe remained.

In the restaurant industry, business environment remained stringent, because of lackluster personal consumption, surge in food prices, and rise in 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 103.4%, 100.3%, and 101.3% year-on-year, respectively.

At the end of the fiscal year under review, the number of stores stood at 9,509 (including 4,222 franchised restaurants), resulting from the acquisition of Advanced Fresh Concepts Corp. (hereinafter referred to as "AFC") and 400 openings and 99 closures of restaurants.

Consequently, the business performance in the fiscal year under review showed sales of 607,679 million yen (up 4.9% year-on-year), operating profit of 18,834 million yen (up 6.9% year-on-year), ordinary profit of 18,211 million yen (up 3.1% year-on-year), and profit attributable to owners of parent of 9,924 million yen (up 24.0% year-on-year).

An overview of conditions by business segment is provided below.

#### 1) Restaurant business

The sales of the restaurant business in the fiscal year under review were 524,637 million yen (up 5.9% year-on-year), and the operating profit was 18,695 million yen (up 10.9% 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 March 31, 2019 stood at 2,891, as a result of 126 openings and 33 closures of restaurant. The breakdown is 1,931 restaurants of Sukiya, 456 restaurants of Nakau (including 11 franchised restaurants), and others.

Sukiya, a Gyudon chain operated by Sukiya Co., has made efforts to enhance the product competitiveness by launching "Okonomi Gyu-tama Don" (Gyudon topped with diced cabbage and egg-yolk with sweet and savory Okonomi sauce) (regular size: 500 yen [tax included]), "Shiraga-negi Gyudon" (Gyudon topped with fine strips of raw leek) (regular size: 500 yen [tax included]), "Tabé-Ra Memma Gyudon" (Gyudon topped with seasoned bamboo shoots with chili sauce with coarsely chopped ingredients) (regular size: 500 yen [tax included]), and "Buta Shougayaki Don" (Rice bowl topped with ginger pork saute) (regular size: 550 yen [tax included]) to address the various needs of customers, under the theme of "Let's be Healthy at Sukiya".

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 fiscal year under review totaled 214,390 million yen (up 5.3% year-on-year).

##### (Family Dining category)

The number of restaurants in the Family Dining category at the end of March 31, 2019 stood at 1,374 (including 79 franchised restaurants), as a result of 20 openings and 16 closures of restaurant.

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.

As a result of these efforts, sales in the Family Dining category in the fiscal year under review were 129,326 million yen (up 1.1% year-on-year).

#### (Fast Food Service category)

The number of restaurants in the Fast Food Service category at the end of March 31, 2019 stood at 777 (including 1 franchised restaurant), as a result of 34 openings and 10 closures of restaurant.

Hamazushi, kaiten-sushi restaurants (100 yen 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.

As a result of these efforts, sales in the Fast Food Service category in the fiscal year under review were 139,837 million yen (up 5.2% year-on-year).

#### (Other category)

The number of stores in the Other category at the end of March 31, 2019 stood at 4,329 (including 4,131 franchised stores), resulting from the acquisition of AFC and 220 openings and 34 closures of stores.

Sales in the Other category in the fiscal year under review were 41,083 million yen (up 32.0% 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; Global Table Supply Co., Ltd., which procures uniforms, equipment etc.; and AFC. We have acquired shares of AFC, which operates take-out sushi shops in the US, Canada, and Australia, on November 16, 2018 to make it our subsidiary.

## 2) Retail Business

Sales in the retail business in the fiscal year under review were 83,042 million yen (down 0.5% year-on-year), and the operating profit was 138 million yen (down 81.7% 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) Overview of Financial Position for the Term Under Review

### (Total Assets)

Total assets amounted to 377,779 million yen as of March 31, 2019, an increase of 82,462 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in property, plant and equipment, intangible assets, and cash and deposits resulted from the M&A.

### (Liabilities)

Liabilities amounted to 290,696 million yen as of March 31, 2019, an increase of 77,583 million yen compared with the previous fiscal year-end. This increase was mainly due to an increase in interest-bearing liabilities resulted from subordinated loan financing and unsecured bond issuance.

### (Net Assets)

Net Assets amounted to 87,083 million yen as of March 31, 2019, an increase of 4,878 million yen compared with the previous fiscal year-end. This increase was mainly due to an increase in retained earnings.

(3) Overview of Cash Flows for the Term Under Review

	Amount (million yen)
Beginning balance of cash and cash equivalents	26,142
Cash flow from operating activities	33,129
Cash flow from investing activities	(52,143)
Cash flow from financing activities	50,300
Ending balance of cash and cash equivalents	57,240
(reference) Free cash flow	(19,014)

At the end of the fiscal year under review, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to 57,240 million yen, up 31,097 million yen from the beginning of the fiscal year under review. This was due to an increase of net cash resulted from recording of net profit before taxes and other adjustments and depreciation, and financing through subordinated loan and unsecured bond issuance, despite the acquisition of property, plant and equipment in association with new store openings and acquisition of AFC stocks was performed.

(Cash flow from operating activities)

Cash flow from operating activities resulted in an increase in net cash of 33,129 million yen. This was mainly due to net profit before taxes and depreciation recorded.

(Cash flow from investing activities)

Cash flow from investing activities resulted in a decrease in net cash of 52,143 million yen. This was mainly due to acquisition of property, plant and equipment in association with store openings, and acquisition of AFC stocks.

(Cash flow from financing activities)

Cash flow from financing activities resulted in an increase of net cash of 50,300 million yen. This was mainly due to an increase in interest-bearing liabilities resulted from subordinated loan financing and unsecured bond issuance.

(4) Future Outlook

1) Future Outlook

As for the outlook for the next term, the global economy is anticipated to remain uncertain, due to the impact of US-China trade friction over the global economy, political and economic turmoil in the EU region, and geopolitical risks in Asia.

In the restaurant industry, business environment is anticipated to remain stringent, due to an ongoing frugal mindset among consumers, surge in food prices, rise in personnel expenses resulted from tightening labor market, and surge of energy and distribution costs.

Given these conditions, the Zensho Group will strive to grow further aiming to be the world No. 1 in the food industry as an enterprise provides safe and delicious food at reasonable cost, leveraging its strength, a mass-merchandising system (MMD), which is a business model that enables integrated design and management of the process from food procurement to manufacturing, distribution, and store sales.

2) The Group established the following medium-term business plan for the three years including the fiscal year ending March 2020.

(Figures rounded down to the nearest hundred million yen)

	FY ended Mar. 31, 2019	FY ending Mar. 31, 2020		FY ending Mar. 31, 2021		FY ending Mar. 31, 2022	
	Actual	Forecast	vs. PY	Forecast	vs. PY	Forecast	vs. PY
Net sales	6,076	<b>6,613</b>	+536	<b>6,896</b>	+282	<b>7,217</b>	+321
(% to Net sales)			(+8.8%)		(+4.3%)		(+4.7%)
Operating profit	188	<b>238</b>	+50	<b>269</b>	+31	<b>307</b>	+38
(OP ratio / % to Net sales)	(3.1%)	(3.6%)	(+26.6%)	(3.9%)	(+13.0%)	(4.3%)	(+14.2%)
Profit attributable to owners of parent	99	<b>104</b>	+5	<b>120</b>	+15	<b>145</b>	+24
(profit ratio / % to Net sales)	(1.6%)	(1.6%)	(+5.4%)	(1.7%)	(+15.2%)	(2.0%)	(+20.5%)

## 2. Basic Policy on Selection of Accounting Standard

Most stakeholders of the Zensho Group are shareholders, creditors, business partners, et al. in Japan. Accordingly, the Japanese accounting standards have been adopted.



## 3. Consolidated Financial Statements and Major Notes

## (1) Consolidated Balance sheet

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2018)	End of Current fiscal year (As of March 31, 2019)
<b>Assets</b>		
Current Assets		
Cash and deposits	26,142	57,240
Notes and accounts receivable - trade	8,142	14,310
Merchandise and finished goods	15,965	20,936
Work in process	726	692
Raw materials and supplies	4,872	5,611
Other	15,916	15,980
Allowance for doubtful accounts	(11)	(96)
Total current assets	71,754	114,675
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	188,654	196,985
Accumulated depreciation	(107,400)	(114,431)
Buildings and structures, net	81,253	82,554
Machinery, equipment and vehicles	11,588	13,300
Accumulated depreciation	(7,151)	(8,035)
Machinery, equipment and vehicles, net	4,437	5,264
Tools, furniture and fixtures	60,867	64,324
Accumulated depreciation	(41,592)	(45,043)
Tools, furniture and fixtures, net	19,275	19,281
Land	17,475	19,197
Lease assets	19,405	23,508
Accumulated depreciation	(7,559)	(8,729)
Lease assets, net	11,845	14,779
Construction in progress	997	684
Total property, plant and equipment	135,285	141,760
Intangible assets		
Trade mark right	464	34,446
Goodwill	17,833	16,644
Other	2,878	3,568
Total intangible assets	21,176	54,659
Investments and other assets		
Investment securities	1,328	3,425
Guarantee deposits	33,506	33,295
Long-term loans receivable	93	84
Long-term prepaid rent	19,570	18,974
Deferred tax assets	8,999	6,394
Other	3,526	4,407
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	67,009	66,569
Total non-current assets	223,471	262,989
Deferred assets		
Bond issuance cost	89	114
Total deferred assets	89	114
Total assets	295,316	377,779

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2018)	End of Current fiscal year (As of March 31, 2019)
<b>Liabilities</b>		
Current Liabilities		
Notes and accounts payable, trade	19,624	22,305
Short-term loans payable	783	1,382
Current portions of bonds	1,780	1,600
Current portion of long-term loans payable	35,509	24,891
Lease obligations	2,045	2,760
Income taxes payable	2,113	3,456
Provision for bonuses	2,131	2,300
Other	31,082	32,755
Total current liabilities	95,070	91,451
Non-current liabilities		
Bonds payable	13,800	27,200
Long-term loans payable	85,227	141,163
Lease obligations	11,175	13,622
Net defined benefit liability	578	781
Asset retirement obligations	2,989	3,100
Other	4,271	13,375
Total non-current liabilities	118,041	199,244
Total liabilities	213,112	290,696
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,261
Retained earnings	27,152	34,432
Treasury shares	(6,021)	(8,021)
Total shareholders' equity	68,863	74,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(29)	(73)
Deferred gains or losses on hedges	(605)	(0)
Remeasurements of defined benefit plans	(24)	(227)
Foreign currency translation adjustment	(707)	(1,680)
Total accumulated other comprehensive income	(1,367)	(1,980)
Non-controlling interests	14,708	14,920
Total net assets	82,204	87,083
Total liabilities and net assets	295,316	377,779

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)

	(Million yen)	
	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net Sales	579,108	607,679
Cost of Sales	251,486	261,226
Gross Profit	327,622	346,453
Selling, General and Administrative Expenses	310,010	327,619
Operating Profit	17,611	18,834
Other Income		
Interest income	419	433
Dividend income	6	7
Gain on equity method investments	—	122
Rent income	184	140
Foreign exchange gains	293	—
Subsidy Income	41	205
Other	685	715
Total non-operating income	1,629	1,624
Non-operating expenses		
Interest expenses	800	1,213
Rent expenses	113	72
Foreign exchange losses	—	21
Amortization of long-term prepaid expenses	280	413
Other	389	527
Total non-operating expenses	1,584	2,247
Ordinary profit	17,656	18,211
Extraordinary income		
Gain on sales of non-current assets	524	684
Gain on bargain purchase	—	2,785
Compensation income	298	—
Other	212	294
Total extraordinary income	1,035	3,763
Extraordinary losses		
Loss on sales of non-current assets	76	4
Loss on retirement of non-current assets	1,616	1,423
Impairment losses	1,389	1,175
Other	1,161	900
Total extraordinary losses	4,244	3,503
Net Profit before income taxes	14,447	18,470
Income taxes - current	4,331	5,725
Income taxes - deferred	1,554	2,388
Total income taxes	5,886	8,113
Net Profit	8,560	10,356
Profit attributable to non-controlling interests	559	432
Profit attributable to owners of parent	8,001	9,924

## (Consolidated Statement of Comprehensive Income)

(Million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net Profit	8,560	10,356
Other comprehensive income		
Valuation difference on available-for-sale securities	(570)	(48)
Deferred gains or losses on hedges	(656)	605
Remeasurements of defined benefit plans	11	(202)
Foreign currency translation adjustment	(407)	(969)
Share of other comprehensive income of entities accounted for using equity method	—	(2)
Total other comprehensive income	(1,622)	(617)
Comprehensive income	6,938	9,739
(Breakdown)		
Comprehensive income attributable to owners of parent	6,405	9,311
Comprehensive income attributable to non- controlling interests	532	427

## (3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity
Beginning balance	23,470	24,261	21,967	(2,021)	67,677
Changes during the period					
Increase by share exchanges			(2,668)		(2,668)
Dividends from surplus			8,001		8,001
Profit attributable to owners of parent				(3,999)	(3,999)
Acquisition of treasury stock		0		0	0
Change of scope of consolidation			(147)		(147)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		0			0
Changes during the period (net) in accounts other than shareholders' equity					
Total changes during the period	—	0	5,185	(3,999)	1,185
Ending balance	23,470	24,261	27,152	(6,021)	68,863

	Accumulated other comprehensive income					Non-controlling interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurement of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning balance	541	51	(36)	(327)	227	14,202	82,107
Changes during the period							
Increase by share exchanges							(2,668)
Dividends from surplus							8,001
Profit attributable to owners of parent							(3,999)
Acquisition of treasury stock							0
Change of scope of consolidation							(147)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							0
Changes during the period (net) in accounts other than shareholders' equity	(570)	(656)	11	(380)	(1,595)	506	(1,089)
Total changes during the period	(570)	(656)	11	(380)	(1,595)	506	96
Ending balance	(29)	(605)	(24)	(707)	(1,367)	14,708	82,204

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity
Beginning balance	23,470	24,261	27,152	(6,021)	68,863
Changes during the period					
Dividends from surplus			(2,631)		(2,631)
Profit attributable to owners of parent			9,924		9,924
Acquisition of treasury stock				(2,000)	(2,000)
Change of scope of consolidation			(13)		(13)
Changes during the period (net) in accounts other than shareholders' equity					
Total changes during the period	—	—	7,279	(2,000)	5,279
Ending balance	23,470	24,261	34,432	(8,021)	74,143

	Accumulated other comprehensive income					Non-controlling interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurement of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning balance	(29)	(605)	(24)	(707)	(1,367)	14,708	82,204
Changes during the period							
Dividends from surplus							(2,631)
Profit attributable to owners of parent							9,924
Acquisition of treasury stock							(2,000)
Change of scope of consolidation							(13)
Changes during the period (net) in accounts other than shareholders' equity	(43)	605	(202)	(972)	(613)	212	(400)
Total changes during the period	(43)	605	(202)	(972)	(613)	212	4,878
Ending balance	(73)	(0)	(227)	(1,680)	(1,980)	14,920	87,083

## (4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	14,447	18,470
Depreciation	18,838	20,311
Impairment losses	1,389	1,175
Amortization of goodwill	1,525	1,421
Amortization of negative goodwill	(2)	(2)
Gain on bargain purchase	—	(2,785)
Increase (decrease) in allowance for doubtful accounts	—	(1)
Increase (decrease) in allowance for bonuses	244	173
Increase (decrease) in net defined benefit liability	10	41
Interest and dividend income	(425)	(440)
Interest expenses	800	1,213
Foreign exchange losses (gains)	(231)	0
Share of (profit) loss of entities accounted for using equity method	—	(122)
Loss (gain) on sales of shares of subsidiaries and associates	0	—
Loss (gain) on sales of investment securities	(94)	(38)
Loss (gain) on sales of property, plant and equipment	(470)	(669)
Loss on retirement of property, plant and equipment	1,462	1,268
Other extraordinary loss (income)	549	260
Other non-operating expenses (income)	2	(64)
Decrease (increase) in notes and accounts receivable - trade	(1,715)	(210)
Decrease (increase) in inventories	2,105	(4,565)
Increase (decrease) in notes and accounts payable - trade	314	(851)
Increase (decrease) in accrued consumption taxes	(161)	347
Decrease (increase) in other current assets	960	1,366
Decrease (increase) in other non-current assets	811	721
Increase (decrease) in other current liabilities	4,234	738
Increase (decrease) in other non-current liabilities	(152)	(75)
Subtotal	44,443	37,683
Interest and dividend income received	75	128
Interest expenses paid	(859)	(1,140)
Income taxes paid	(6,497)	(3,542)
Net cash provided by (used in) operating activities	37,162	33,129

	(Million yen)	
	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(22,934)	(21,570)
Proceeds from sales of property, plant and equipment	2,565	2,231
Purchase of intangible assets	(1,086)	(1,240)
Purchase of long-term prepaid expenses	(260)	(246)
Purchase of long-term investment securities	(442)	(1,896)
Proceeds from sales of long-term investment securities	985	51
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(27,387)
Sale of shares of subsidiaries resulting in change in scope of consolidation	(22)	—
Payments of loans receivable	(1,153)	(221)
Payments for guarantee deposits	(1,133)	(783)
Proceeds from collection of guarantee deposits	1,098	1,004
Expenditures on lease premiums	(111)	(76)
Purchase of long term prepaid rents	(1,842)	(1,616)
Other, net	(325)	(393)
Net cash provided by (used in) investing activities	(24,663)	(52,143)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(1,859)	582
Proceeds from long-term loans payable	46,663	81,596
Repayments of long-term loans payable	(44,885)	(36,278)
Repayments of lease obligations	(2,087)	(2,708)
Purchase of treasury stock	(3,999)	(2,000)
Proceeds from issuance of bonds	5,000	15,000
Redemption of bonds	(4,925)	(1,780)
Repayments of installment payables	(178)	(182)
Proceeds from share issuance to non-controlling shareholders	115	104
Cash dividends paid	(2,666)	(2,627)
Dividends paid to non-controlling interests	(248)	(214)
Others	(1)	(1,192)
Net cash provided by (used in) financing activities	(9,073)	50,300
Effect of exchange rate change on cash and cash equivalents	15	(271)
Net increase (decrease) in cash and cash equivalents	3,441	31,014
Beginning balance of cash and cash equivalents	22,274	26,142
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	426	83
Ending balance of cash and cash equivalents	26,241	57,240



(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Segment Information)

1. Overview of reporting segments

For Zensho Holdings' reporting segments, these are, of the constituent units in the Group, those for which separate financial information are available and those that are subject of regular examination by the board of directors to make decisions on management resource allocation and assessment of performance.

The Zensho Group operates food businesses in various fields, categorizes "restaurant business" and "retail business" as main reporting segments, designs and determines group strategies.

The businesses included in the reporting segments are as follows:

Restaurant business: restaurant management, etc.

Retail business: supermarket management

2. Methods for calculating segmental sales, profits or losses, assets and other items

The accounting method for the reporting segments is generally the same as in "Basis for Preparing Consolidated Financial Statements". The profit in each segment is based on operating profit.

Zensho Holdings does not allocate assets and liabilities in reporting segments.

3. Information on net sales, profits or losses by reporting segment

Previous Fiscal Year (From April 1, 2017 to March 31, 2018)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	495,638	83,469	579,108	—	579,108
Intersegment Sales or Transfers	2,030	23	2,054	(2,054)	—
Total	497,669	83,493	581,162	(2,054)	579,108
Segment Profit	16,851	758	17,610	0	17,611
Other Items					
Depreciation	18,029	912	18,941	(102)	18,838
Amortization of goodwill	1,016	509	1,525	—	1,525

- (Note) 1. Adjustment amounts are mainly elimination of intersegment transactions.  
2. The total amount of segment profit is adjusted with the operating profit in the consolidated statement of income.  
3. Unamortized balance of goodwill is 17,833 million yen.  
4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

Current Fiscal Year (From April 1, 2018 to March 31, 2019)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	524,637	83,042	607,679	—	607,679
Intersegment Sales or Transfers	1,859	40	1,899	(1,899)	—
Total	526,496	83,082	609,579	(1,899)	607,679
Segment Profit	18,695	138	18,833	0	18,834
Other Items					
Depreciation	19,360	986	20,347	(35)	20,311
Amortization of goodwill	890	531	1,421	—	1,421

- (Note) 1. Adjustment amounts are mainly elimination of intersegment transactions.  
2. The total amount of segment profit is adjusted with the operating profit in the consolidated statement of income.  
3. Unamortized balance of goodwill is 16,644 million yen.  
4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

(Per Share Information)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net assets per share	461.76 yen	496.34 yen
Net profit per share	54.18 yen	67.93 yen

- (Note) 1. Diluted net profit per share is not shown because there are no latent shares.  
2. Net profit per share is calculated on the following bases:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net profit attributable to owners of parent (million yen)	8,001	9,924
Amount not attributable to ordinary shareholders (million yen)	—	—
Net profit attributable to owners of parent relating to common stocks (million yen)	8,001	9,924
Average number of shares during the period (shares)	147,681,826	146,098,712

(Material Subsequent events)

(Stock swap to convert Jolly-Pasta Co., Ltd. into a wholly owned subsidiary of Zensho Holdings Co., Ltd.)

At a board meeting held on May 14, 2019, Zensho Holdings Co., Ltd. (hereinafter referred to as “Zensho”) resolved to carry out a share exchange to make the company the wholly-owning parent company for share exchange and make Jolly Pasta Co., Ltd (hereinafter referred to as “Jolly Pasta”), a consolidated subsidiary, a wholly-owned subsidiary, and entered into a stock swap agreement on the same day.

The stock swap is scheduled to be performed with effective date of August 1, 2019, by Zensho through the use of a simplified stock swap arrangement in accordance with the provisions in Article 796, Paragraph 2 of the Companies Act, without obtaining approval at a General Meeting of Shareholders; and to be performed by Jolly Pasta with approval of the stock swap by a General Meeting of Shareholders scheduled to be held on June 13, 2019.

Prior to the effective date of the stock swap, the shares of Jolly Pasta will be de-listed from the Tokyo Stock Exchange on July 30, 2019. (The last trading day will be July 29, 2019.)

(1) Purpose of the conversion into a wholly-owned subsidiary through a stock swap arrangement

Zensho and Jolly Pasta have reached a common understanding that various benefits are expected from the stock swap. The possible benefits include increased ability to attract customers through significant expansion of number of restaurants and sales areas, and new business development, as well as reduction of logistics costs through further promotion of group-wide sharing of plants and logistics functions on the part of Jolly Pasta, while on the part of Zensho, realization of speedy and flexible decision-making and thorough policy enforcement, establishment of agile and flexible operating structure through elimination of potential conflicts of interest resulted from de-listing, and elimination of expenses necessary for being listed are expected. Consequently, Zensho and Jolly Pasta resolved to execute the stock swap and entered into the stock swap agreement on May 14, 2019.

(2) Schedule of the stock swap

Date of Record of the Scheduled General Meeting of Shareholders (Jolly Pasta)	March 31, 2019
Date of Board of Directors Meeting to Discuss Stock Swap Resolution (Zensho / Jolly Pasta)	May 14, 2019
Execution of Stock Swap agreement (Zensho / Jolly Pasta)	May 14, 2019
Date of Scheduled General Meeting of Shareholders (Jolly Pasta)	June 13, 2019 (anticipated)
Final Trading Day (Jolly Pasta)	July 29, 2019 (anticipated)
Share De-Listing Day (Jolly Pasta)	July 30, 2019 (anticipated)
Effective date of Stock Swap	August 1, 2019 (anticipated)

Note) Please note that the schedule for the stock swap stated above may be modified upon mutual consent by the both companies as necessary, in accordance with progress in procedures for the stock swap, etc.

(3) Details of the allocation of shares associated with the stock swap

	Zensho (Wholly Owning Parent Company)	Jolly Pasta (Wholly Owned Subsidiary)
Share allocation associated with the stock swap	1	0.8
Number of shares to be allocated for the stock swap	Common stock of Zensho : 4,549,958 shares (Anticipated)	

Note 1 : Share allocation ratios

For every one share of Jolly Pasta common stock, 0.8 shares of Zensho common stock will be allocated. Please note that Zensho and Jolly Pasta may modify the allocation ratios stated above upon mutual consent if a significant change occurs in the original basis of the calculations of such ratios.

Note 2 : Number of shares allocated through the stock swap

In connection with the stock swap, Zensho will allocate its ordinary shares, which is 0.8 times the number of ordinary shares of Jolly Pasta, to all shareholders of Jolly Pasta (excluding Zensho) who are shareholders immediately prior to the time (hereafter referred to as “the time of record”) when Zensho acquires all the outstanding shares of Jolly Pasta through the stock swap. Zensho plans to issue new ordinary shares. (However, Zensho may decide to use the treasury shares owned by Zensho as a part of such shares to be allocated.)

By resolution of a Board of Directors meeting held by the day before the effective date of the stock swap, Jolly Pasta plans to retire all treasury shares that it holds at the time of the record (including treasury shares to be acquired in accordance with demands to purchase the shares of dissenting shareholders, executed in conjunction with the stock swap, as stipulated in Article 785, Paragraph 1 of the Companies Act).

The number of shares allocated through the stock swap may be revised in the future due to reasons including the retirement of treasury shares that will be acquired by Jolly Pasta.

(4) Grounds and reasons for the details of the allotments involving the stock swap

In order to ensure fairness and validity in calculating the stock swap ratio noted in (3) “Details of the allocation of shares associated with the stock swap” above, Zensho and Jolly Pasta selected Mizuho Securities Co., Ltd. and Stream Co., Ltd. as an independent third party, respectively. In addition, Zensho selected the legal firm Kumagai, Tanaka & Tsuda, and Jolly Pasta selected Kokubo Law Office as a legal advisor, respectively.

Zensho and Jolly Pasta have taken into consideration results of the due diligence conducted to each other, referring to the calculation results and advice obtained from each third-party calculation institution and advice from each legal advisor. In addition, the two companies carefully considered the financial conditions, business performance trends, and stock price movements etc. of each other. After a series of prudent negotiations, the two companies came to a conclusion that the stock swap ratio is appropriate for both sets of shareholders. Consequently, both board of directors, at their respective board meetings held on May 14, 2019, agreed and passed a resolution on the execution of the stock swap using the stock swap ratio.

Please note that Zensho and Jolly Pasta may modify the allocation ratios stated above upon mutual consent, if a significant change occurs in the original basis of the calculations of such ratios.

(5) Overview of Accounting Practices

In accordance with “Accounting Standards for Business Combinations” (Corporate Accounting Standard No.21), and “Application Guidelines for Accounting Standards for Corporate Mergers and Accounting Standards for Corporate Splits” (Corporate Accounting Standard Application Guideline No.10), the stock swap will be treated as a transaction under common control.