

# Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2020 (Japanese Accounting Standards)

August 6, 2019

Company Name: **Zensho Holdings Co., Ltd.** Stock Listings Tokyo Stock Exchange  
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Scheduled date for submission of quarterly securities report: August 6, 2019

Scheduled date for payment of dividends: —

Supplementary documents for quarterly results: No

Quarterly results briefing: No

(Figures rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the First Quarter (April 1, 2019 to June 30, 2019)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2019	153,319	6.4	4,441	50.1	4,088	42.7	1,923	66.7
June 30, 2018	144,047	1.6	2,958	(16.0)	2,865	(18.8)	1,154	(33.7)

Note: Comprehensive income Three months ended June 30, 2019 (675) million yen( - %)  
Three months ended June 30, 2018 1,698 million yen( 65.0 %)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	13.23	-
June 30, 2018	7.90	-

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
June 30, 2019	364,559	83,222	19.2	482.02
March 31, 2019	377,779	87,083	19.1	496.34

Note: Shareholders' Equity: June 30, 2019 70,080 million yen March 31, 2019 72,162 million yen

## 2. Dividends

	Dividend per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	9.00	-	9.00	18.00
Fiscal year ending March 31, 2020	-	-	-	-	-
Fiscal year ending March 31, 2020 (forecast)	-	10.00	-	10.00	20.00

Note: Revisions to dividend forecasts published recently : None

## 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		Basic 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

Note: Revisions to consolidated financial forecasts published recently : None

## Notes

- (1) Changes of important subsidiaries during the period : None
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None
- (3) 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

(4) Shares issued and outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury stock)	As of June 30, 2019	149,640,445 shares	As of March 31, 2019	149,640,445 shares
(ii) Number of treasury stocks at the end of the period	As of June 30, 2019	4,251,496 shares	As of March 31, 2019	4,251,546 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	As of June 30, 2019	145,388,910 shares	As of June 30, 2018	146,170,982 shares

\* **This quarterly consolidated financial results report is exempt from quarterly review of certified accountants and/or auditing firms.**

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

(Notes on forecasted business performance and others)

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

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## 1. Qualitative Information on Results for the First Quarter Ended June 30, 2019

### (1) Details of Consolidated Financial Results

In the first quarter of the fiscal year under review (from April 1, 2019 to June 30, 2019), economic conditions in Japan continued a modest recovery with the backdrop of improvements in income and employment environment, while uncertainty over the future remained mainly due to trade issues, such as a US-China trade friction and rising tensions in the Middle East.

In the restaurant industry, business environment remained stringent, mainly due to an ongoing frugal mindset among consumers and an increase in personnel related expenses resulting from a rise in hourly wage for part-time workers.

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 103.3%, 97.3%, and 101.9% year-on-year, respectively.

At the end of June, 2019, the number of stores stood at 9,719 (including 4,273 franchised restaurants), as a result of making TCRS Restaurants Sdn. Bhd. (hereinafter "TCRS") a wholly-owned subsidiary, as well as 113 new store openings and 37 closures.

Consequently, the business performance in the first quarter of the fiscal year under review showed sales of 153,319 million yen (up 6.4% year-on-year), operating profit of 4,441 million yen (up 50.1% year-on-year), ordinary profit of 4,088 million yen (up 42.7% year-on-year), and profit attributable to owners of parent of 1,923 million yen (up 66.7% year-on-year).

An overview of conditions by business segment is provided below.

#### i) Restaurant business

Sales of the restaurant business in the first quarter of the fiscal year under review were 133,105 million yen (up 8.3% year-on-year), and the operating profit was 4,448 million yen (up 54.1% 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 June, 2019 stood at 2,928 (including 11 franchised restaurants), as a result of 43 new restaurant openings and 6 closures.

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., has made efforts to enhance the product competitiveness by launching "Caesar Lettuce Gyudon" (Gyudon topped with Caesar salad) (regular size: 500 yen [tax included]) and "Karakuchi Tomaleta Gyudon" (Gyudon topped with spicy tomato sauce and crispy lettuce) (regular size: 500 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 first quarter of the fiscal year under review totaled 53,213 million yen (up 5.0% year-on-year).

##### (Family Dining category)

The number of restaurants in the Family Dining category at the end of June, 2019 stood at 1,371 (including 79 franchised restaurants), as a result of 2 new restaurant openings and 4 closures.

Coco's, the family 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 steak 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.

Due to these efforts, sales in the Family Dining category in the first quarter of the fiscal year under review were 30,239 million yen (down 2.4% year-on-year).

(Fast Food Service category)

The number of restaurants in the Fast Food Service category at the end of June, 2019 stood at 919 (including 6 franchised restaurants), as a result of making TCRS a wholly-owned subsidiary, as well as 10 new restaurant openings and 5 closures.

Hamazushi, 100-yen sushi chain stores (kaiten-sushi restaurants) 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.

Zensho has made TCRS, which operates specialty chicken rice chain stores in Malaysia, a wholly-owned subsidiary by implementing the share acquisition as of May 31, 2019.

As a result of the above, sales in the Fast Food Service category in the first quarter of the fiscal year under review were 35,559 million yen (up 5.1% year-on-year).

(Other category)

The number of stores in the Other category at the end of June, 2019 stood at 4,365 (including 4,177 franchised stores), as a result of 57 new restaurant openings and 21 closures.

Main businesses in this category include Advanced Fresh Concepts Corp., which operates takeout Sushi stores in US, Canada, and Australia; Tolona Japan Co., Ltd., 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, equipment etc.

Sales in the Other category in the first quarter of the fiscal year under review were 14,094 million yen (up 90.5% year-on-year).

ii) Retail Business

Sales in the retail business in the first quarter of the fiscal year under review were 20,213 million yen (down 4.4% year-on-year), and the operating loss was 6 million yen (operating profit of 71 million yen in the same period of last 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) Details of Consolidated Financial Position

(Total Assets)

Total assets stood at ¥364,559 million as of June 30, 2019, a decrease of ¥13,219 million compared with the previous fiscal year-end. This decrease was mainly due to a decrease in cash and deposits, which was partly offset by increases in property, plant and equipment and intangible assets, resulted from M&A.

(Liabilities)

Liabilities amounted to ¥281,336 million as of June 30, 2019, a decrease of ¥9,359 million compared with the previous fiscal year-end. This decrease was mainly due to a decrease in interest-bearing liabilities.

(Net Assets)

Net Assets came at ¥83,222 million as of June 30, 2019, a decrease of ¥3,860 million compared with the previous fiscal year-end. This decrease was mainly due to decreases in foreign currency translation adjustment and non-controlling interests.

(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts

There are no changes to the consolidated business performance forecasts announced on May 14, 2019, for the period ending March 31, 2020.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2019)	End of 1Q, Current fiscal year (As of June 30, 2019)
<b>Assets</b>		
Current Assets		
Cash and deposits	57,240	36,665
Notes and accounts receivable - trade	14,310	14,252
Merchandise and finished goods	20,936	22,277
Work in process	692	847
Raw materials and supplies	5,611	5,877
Other	15,980	16,425
Allowance for doubtful accounts	(96)	(91)
Total current assets	114,675	96,254
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	196,985	200,406
Accumulated Depreciation	(114,431)	(116,902)
Buildings and structures, net	82,554	83,504
Machinery, equipment and vehicles	13,300	13,510
Accumulated Depreciation	(8,035)	(8,335)
Machinery, equipment and vehicles, net	5,264	5,175
Other	107,714	111,442
Accumulated Depreciation	(53,772)	(55,815)
Other, net	53,942	55,626
Total property, plant and equipment	141,760	144,306
Intangible assets		
Trademark right	34,446	33,455
Goodwill	16,644	22,502
Other	3,568	3,311
Total intangible assets	54,659	59,269
Investments and other assets		
Investment securities	3,425	1,839
Guarantee deposits	33,295	33,681
Other	29,862	29,117
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	66,569	64,623
Total non-current assets	262,989	268,200
Deferred assets	114	104
Total assets	377,779	364,559

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2019)	End of 1Q, Current fiscal year (As of June 30, 2019)
<b>Liabilities</b>		
Current Liabilities		
Notes and accounts payable, trade	22,305	20,881
Short-term loans payable	1,382	1,916
Current portions of bonds	1,600	1,600
Current portion of long-term loans payable	24,891	24,015
Income taxes payable	3,456	1,558
Provision	2,300	1,480
Other	35,515	36,266
Total current liabilities	91,451	87,719
Non-current liabilities		
Bonds payable	27,200	27,200
Long-term loans payable	141,163	134,979
Net defined benefit liability	781	791
Asset retirement obligations	3,100	3,110
Other	26,998	27,535
Total non-current liabilities	199,244	193,617
Total liabilities	290,696	281,336
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	24,049
Retained earnings	34,432	35,061
Treasury shares	(8,021)	(8,021)
Total shareholders' equity	74,143	74,560
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(73)	(75)
Deferred gains or losses on hedges	(0)	(133)
Remeasurements of defined benefit plans	(227)	(134)
Foreign currency translation adjustment	(1,680)	(4,136)
Total accumulated other comprehensive income	(1,980)	(4,479)
Non-controlling interests	14,920	13,142
Total net assets	87,083	83,222
Total liabilities and net assets	377,779	364,559

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(First Quarter, Fiscal Year ending March 31, 2020)

	(Million yen)	
	1Q, Previous fiscal year (From April 1, 2018 to June 30, 2018)	1Q, Current fiscal year (From April 1, 2019 to June 30, 2019)
Net Sales	144,047	153,319
Cost of Sales	62,561	65,496
Gross Profit	81,485	87,822
Selling, General and Administrative Expenses	78,527	83,381
Operating Profit	2,958	4,441
Other Income		
Interest income	96	142
Dividend income	2	1
Rent income	33	36
Foreign exchange gains	—	75
Share of profit of entities accounted for using equity method	—	4
Other	195	216
Total non-operating income	327	478
Non-operating expenses		
Interest expenses	179	505
Rent expenses	18	11
Foreign exchange losses	19	—
Other	202	313
Total non-operating expenses	420	830
Ordinary profit	2,865	4,088
Extraordinary income		
Gain on sales of non-current assets	114	0
Compensation income	24	12
Insurance income	20	21
Other	3	3
Total extraordinary income	162	37
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	367	172
Impairment loss	—	374
Other	123	116
Total extraordinary losses	491	663
Profit before income taxes	2,536	3,461
Income taxes - current	595	1,007
Income taxes - deferred	733	626
Total income taxes	1,329	1,633
Profit	1,207	1,827
Profit attributable to non-controlling interests	52	(96)
Profit attributable to owners of parent	1,154	1,923



(Quarterly Consolidated Statements of Comprehensive Income)  
(First Quarter, Fiscal Year ending March 31, 2020)

	(Million yen)	
	1Q, Previous fiscal year (From April 1, 2018 to June 30, 2018)	1Q, Current fiscal year (From April 1, 2019 to June 30, 2019)
Profit	1,207	1,827
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(3)
Deferred gains or losses on hedges	691	(133)
Remeasurements of defined benefit plans, net of tax	4	93
Foreign currency translation adjustment	(198)	(2,455)
Share of other comprehensive income of entities accounted for using equity method	—	(4)
Total other comprehensive income	491	(2,503)
Comprehensive income	1,698	(675)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,650	(574)
Comprehensive income attributable to non- controlling interests	47	(100)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes for Case Where Shareholders' Equity underwent Significant Changes in Value)

Not applicable.

(Segment Information)

【Segment Information】

I First quarter of Previous Fiscal Year (From April 1, 2018 to June 30, 2018)

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

(Unit : Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	122,902	21,144	144,047	—	144,047
Intersegment Sales or Transfers	535	11	546	(546)	—
Total	123,437	21,155	144,593	(546)	144,047
Segment Profit/(Loss)	2,886	71	2,958	0	2,958

(Note) 1. Adjustment amount of segment profit/(loss) of ¥0 million are mainly elimination of intersegment transactions.

2. The total amount of segment profit/(loss) is adjusted with the operating profit in the quarterly consolidated statements of income.

3. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2. Information on impairment loss or goodwill on non-current assets by reporting segment

(Important impairment loss on non-current assets)

Not applicable.

(Major change in goodwill)

Not applicable.

(Major negative goodwill profit)

Not applicable.

II First quarter of Fiscal Year under review (From April 1, 2019 to June 30, 2019)

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

(Unit : Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	133,105	20,213	153,319	—	153,319
Intersegment Sales or Transfers	590	7	598	(598)	—
Total	133,696	20,221	153,918	(598)	153,319
Segment Profit/(Loss)	4,448	(6)	4,441	0	4,441

(Note) 1. Adjustment amount of segment profit/(loss) of 0 million yen are mainly elimination of intersegment transactions.

2. The total amount of segment profit/(loss) is adjusted with the operating profit in the quarterly consolidated statements of income.

3. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2. Information on impairment loss or goodwill on non-current assets by reporting segment

(Important impairment loss on non-current assets)

In the “Restaurant Business” segment, impairment losses of 374 million yen were recognized during the three months ending June 30, 2019. This was relating to the fixed assets at restaurants and at a food processing plant.

(Major change in goodwill)

In the “Restaurant Business” segment, Zensho Holdings Malaysia Sdn. Bhd., a consolidated subsidiary of Zensho, has acquired all the shares of TCRS Restaurants Sdn. Bhd., and it has been included in the scope of consolidation with effect from the three months ended June 30, 2019. With this acquisition, goodwill increased by 5,067 million yen.

The above figure is a tentative amount, since we could not identify the identifiable assets and liabilities, estimate the fair value, and complete the allocation of acquisition cost due to the short period between the consolidated book-closing date and the date of business combination.

(Major negative goodwill profit)

Not applicable.