

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

February 6, 2020

Company Name: **Zensho Holdings Co., Ltd.** Stock Listings Tokyo Stock Exchange
 Code Number: 7550 URL <http://www.zensho.co.jp/>
 Representative: Mr. Kentaro Ogawa, Chairman of the Board and CEO
 Inquiries: Mr. Kiyohiko Niwa, Executive Officer, Senior General (TEL) +81-3-6833-1600
 Manager of Group Finance and Accounting Division
 Scheduled date for submission of quarterly securities report: February 6, 2020
 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 Cumulative Third Quarter (April 1, 2019 to December 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2019	479,887	5.5	18,664	27.3	18,036	28.1	10,400	11.8
December 31, 2018	454,845	4.4	14,660	7.2	14,084	1.6	9,301	35.4

Note: Comprehensive income
 Nine months ended December 31, 2019 8,723 million yen(-2.8 %)
 Nine months ended December 31, 2018 8,976 million yen(35.6 %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	70.35	-
December 31, 2018	63.63	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
December 31, 2019	374,493	88,933	21.0	527.10
March 31, 2019	377,779	87,083	19.1	496.34

Note: Shareholders' Equity: December 31, 2019 78,602 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	-	10.00	-		
Fiscal year ending March 31, 2020 (forecast)				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)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	661,367	8.8	23,848	26.6	22,133	21.5	10,460	5.4	71.20

Note: Revisions to consolidated financial forecasts published recently : None

※ Notes

- (1) Changes of important subsidiaries during the period
(changes in specified subsidiaries resulting in change in scope of consolidation) : 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 December 31, 2019	151,990,403 shares	As of March 31, 2019	149,640,445 shares
(ii) Number of treasury stocks at the end of the period	As of December 31, 2019	2,866,472 shares	As of March 31, 2019	4,251,546 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	Nine months ended December 31, 2019	147,844,268 shares	Nine months ended December 31, 2018	146,170,918 shares

※ This quarterly consolidated financial results report is not subject to a quarterly review.

※ 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 Cumulative Third Quarter Ended December 31, 2019

(1) Details of Consolidated Financial Results

In the cumulative third quarter of the fiscal year under review (from April 1, 2019 to December 31, 2019), economic conditions in Japan continued a modest recovery with the backdrop of improvements in employment and income environment. However, the economy remains uncertain due to various factors such as trade issues including US-China trade friction, Brexit, rising tensions in the Middle East, impact of natural disasters such as typhoons, and the consumption tax hike in October, which has negatively impacted on consumer sentiment.

In the restaurant industry, business environment remained stringent, due mainly to a strong frugal mindset among consumers and an increase in personnel expenses resulting from a rise in hourly wage of 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 101.8%, 94.2%, and 102.4% year-on-year, respectively.

At the end of the third quarter of the fiscal year under review, the number of stores stood at 9,813 (including 4,289 franchised stores), resulting from 363 store openings, 196 closures, and the conversion of TCRS Restaurants Sdn. Bhd. (hereinafter referred to as "TCRS") into a wholly owned subsidiary.

Consequently, the business performance in the cumulative third quarter of the fiscal year under review showed sales of 479,887 million yen (up 5.5% year-on-year), operating profit of 18,664 million yen (up 27.3% year-on-year), ordinary profit of 18,036 million yen (up 28.1% year-on-year), and profit attributable to owners of parent of 10,400 million yen (up 11.8% year-on-year).

An overview of conditions by business segment is provided below.

1) Restaurant business

Sales of the Restaurant business in the cumulative third quarter of the fiscal year under review were 417,840 million yen (up 6.7% year-on-year), and the operating profit was 18,381 million yen (up 27.3% 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 as of December 31, 2019 stood at 2,995 (including 10 franchised restaurants), as a result of 130 restaurant openings and 26 closures.

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., has made efforts to enhance the product competitiveness by launching "Gyudon w/ Caesar Salad" (regular size: 500 yen [tax included]), "Gyudon w/ Chili Garlic Sprout" (regular size: 500 yen [tax included]), "Okonomiyaki Style Gyudon" (Steamed Cabbage, Raw Egg, Mayo & Sauce) (regular size: 520 yen [tax included]), "Gyudon w/ Simmered Bamboo Shoot & Chili Oil" (regular size: 520 yen [tax included]), and "Shredded Leek Gyudon" (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 further 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 cumulative third quarter of the fiscal year under review totaled 167,914 million yen (up 3.8% year-on-year).

(Family Dining category)

The number of restaurants in the Family Dining category as of December 31, 2019 stood at 1,364 (including 79 franchised restaurants), as a result of 19 restaurant openings and 29 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 cumulative third quarter of the fiscal year under review were 91,749 million yen (down 5.0% year-on-year).

(Fast Food Service category)

The number of restaurants in the Fast Food Service category as of December 31, 2019 stood at 931, (including 5 franchised restaurants), resulting from 29 restaurant openings, 12 closures, and the conversion of TCRS into a wholly owned subsidiary.

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 Holdings Co. Ltd. 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.

Due to these efforts, sales in the Fast Food Service category in the cumulative third quarter of the fiscal year under review were 114,310 million yen (up 8.7% year-on-year).

(Other category)

The number of stores in the Other category as of December 31, 2019 stood at 4,389 (including 4,195 franchised stores), as a result of 182 store openings and 122 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., 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 cumulative third quarter of the fiscal year under review were 43,865 million yen (up 57.3% year-on-year).

2) Retail Business

Sales in the Retail business in the cumulative third quarter of the fiscal year under review were 62,047 million yen (down 2.1% year-on-year), and the operating profit was 282 million yen (up 25.7% year-on-year).

The Retail business includes the supermarket business operated by Maruya co., Ltd., Maruei Co., Ltd., Owariya Co., Ltd., Fresh Corporation Co., Ltd., Attack 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 374,493 million yen as of December 31, 2019, a decrease of 3,285 million yen compared with the previous fiscal year-end. This decrease was mainly due to a decrease in cash and deposits, partly offset by increases in property, plant and equipment and intangible assets resulted from new store investments and M&A.

(Liabilities)

Liabilities amounted to 285,559 million yen as of December 31, 2019, a decrease of 5,136 million yen 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 88,933 million yen as of December 31, 2019, an increase of 1,850 million yen compared with the previous fiscal year-end. This increase was mainly due to an increase in retained earnings, partly offset by 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 Sheet

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2019)	End of 3Q, Current fiscal year (As of December 31, 2019)
Assets		
Current Assets		
Cash and deposits	57,240	36,815
Notes and accounts receivable - trade	14,310	16,431
Merchandise and finished goods	20,936	20,110
Work in process	692	735
Raw materials and supplies	5,611	8,175
Other	15,980	17,457
Allowance for doubtful accounts	(96)	(92)
Total current assets	114,675	99,632
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	196,985	206,795
Accumulated Depreciation	(114,431)	(120,077)
Buildings and structures, net	82,554	86,718
Machinery, equipment and vehicles	13,300	14,294
Accumulated Depreciation	(8,035)	(8,776)
Machinery, equipment and vehicles, net	5,264	5,518
Other	107,714	117,878
Accumulated Depreciation	(53,772)	(59,160)
Other, net	53,942	58,717
Total property, plant and equipment	141,760	150,953
Intangible assets		
Trade mark right	34,446	34,002
Goodwill	16,644	21,663
Other	3,568	3,717
Total intangible assets	54,659	59,384
Investments and other assets		
Investment securities	3,425	3,319
Guarantee deposits	33,295	33,623
Other	29,862	27,508
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	66,569	64,437
Total non-current assets	262,989	274,775
Deferred assets	114	85
Total assets	377,779	374,493

(Million yen)

	End of Previous fiscal year (As of March 31, 2019)	End of 3Q, Current fiscal year (As of December 31, 2019)
Liabilities		
Current Liabilities		
Notes and accounts payable, trade	22,305	25,605
Short-term loans payable	1,382	783
Current portions of bonds	1,600	1,600
Current portion of long-term loans payable	24,891	22,768
Income taxes payable	3,456	1,192
Provision	2,300	1,268
Other	35,515	38,463
Total current liabilities	91,451	91,681
Non-current liabilities		
Bonds payable	27,200	26,400
Long-term loans payable	141,163	134,996
Net defined benefit liability	781	789
Asset retirement obligations	3,100	3,321
Other	26,998	28,371
Total non-current liabilities	199,244	193,878
Total liabilities	290,696	285,559
Net assets		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,261	22,510
Retained earnings	34,432	42,038
Treasury shares	(8,021)	(5,887)
Total shareholders' equity	74,143	82,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(73)	(72)
Deferred gains or losses on hedges	(0)	10
Remeasurements of defined benefit plans	(227)	(113)
Foreign currency translation adjustment	(1,680)	(3,354)
Total accumulated other comprehensive income	(1,980)	(3,528)
Non-controlling interests	14,920	10,330
Total net assets	87,083	88,933
Total liabilities and net assets	377,779	374,493

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Cumulative Third Quarter)

	(Million yen)	
	Cumulative 3Q, Previous fiscal year (From April 1, 2018 to December 31, 2018)	Cumulative 3Q, Current fiscal year (From April 1, 2019 to December 31, 2019)
Net Sales	454,845	479,887
Cost of Sales	195,881	204,182
Gross Profit	258,963	275,705
Selling, General and Administrative Expenses	244,303	257,041
Operating Profit	14,660	18,664
Non-operating Income		
Interest income	343	448
Dividend income	7	4
Rent income	104	109
Foreign exchange gains	—	262
Share of profit of entities accounted for using equity method	127	13
Subsidy income	—	249
Other	559	628
Total non-operating income	1,141	1,716
Non-operating expenses		
Interest expenses	826	1,504
Rent expenses	55	45
Foreign exchange losses	155	—
Other	680	793
Total non-operating expenses	1,717	2,343
Ordinary profit	14,084	18,036
Extraordinary income		
Gain on sales of non-current assets	105	11
Gain on bargain purchase	2,785	—
Compensation income	108	51
Compensation income for expropriation	19	—
Insurance income	20	25
Other	83	30
Total extraordinary income	3,121	118
Extraordinary losses		
Loss on retirement of non-current assets	1,097	777
Impairment loss	—	375
Other	492	597
Total extraordinary losses	1,590	1,751
Profit before income taxes	15,614	16,404
Income taxes - current	3,718	4,182
Income taxes - deferred	2,299	1,951
Total income taxes	6,018	6,133
Profit	9,596	10,270
Profit (loss) attributable to non-controlling interests	295	(129)
Profit attributable to owners of parent	9,301	10,400

(Quarterly Consolidated Statements of Comprehensive Income)
(Cumulative Third Quarter)

	(Million yen)	
	Cumulative 3Q, Previous fiscal year (From April 1, 2018 to December 31, 2018)	Cumulative 3Q, Current fiscal year (From April 1, 2019 to December 31, 2019)
Profit	9,596	10,270
Other comprehensive income		
Valuation difference on available-for-sale securities	(43)	(0)
Deferred gains or losses on hedges	561	10
Remeasurements of defined benefit plans, net of tax	12	113
Foreign currency translation adjustment	(1,150)	(1,670)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(619)	(1,547)
Comprehensive income	8,976	8,723
(Breakdown)		
Comprehensive income attributable to owners of parent	8,689	8,852
Comprehensive income attributable to non- controlling interests	286	(128)

(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 Third quarter of Previous Fiscal Year (From April 1, 2018 to December 31, 2018)

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

(Units : Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	391,479	63,365	454,845	—	454,845
Intersegment Sales or Transfers	1,444	34	1,478	(1,478)	—
Total	392,924	63,400	456,324	(1,478)	454,845
Segment Profit	14,435	224	14,659	0	14,660

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

2. The total amount of segment profit 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, goodwill, etc. on non-current assets by reportable segment

(Important impairment loss on non-current assets)

Not applicable.

(Major change in goodwill)

Not applicable.

(Major negative goodwill profit)

With the acquisition of shares in Advanced Fresh Concepts Corp. in the "Restaurant Business" segment, the company has been included in the scope of consolidation with effect from the three months ended December 31, 2018. With this acquisition, a gain on negative goodwill of 2,785 million yen was recorded.

II Third quarter of Fiscal Year under review (From April 1, 2019 to December 31, 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	417,840	62,047	479,887	—	479,887
Intersegment Sales or Transfers	1,809	23	1,832	(1,832)	—
Total	419,649	62,070	481,720	(1,832)	479,887
Segment Profit	18,381	282	18,663	0	18,664

- (Note) 1. Adjustment amount of segment profit of ¥0 million is mainly elimination of intersegment transactions.
2. The total amount of segment profit 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.
4. In line with the significant revision to the initial allocation of the acquisition cost as described in the following “Significant revision to the initial allocation of the acquisition cost in the comparative information” of “Business combinations, etc.” section, the segment information included in the quarterly consolidated financial statements for the nine months ended December 31, 2018 have been revised to reflect the change.

2. Information on impairment loss, goodwill, etc. on non-current assets by reportable segment

(Important impairment loss on non-current assets)

In the “Restaurant Business” segment, impairment losses of 375 million yen were recognized during the nine months ended December 31, 2019. This was relating to the fixed assets at restaurants and 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 first quarter of fiscal year ending March 31, 2020. With this acquisition, goodwill increased by 4,999 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.

(Major negative goodwill profit)

Not applicable.

(Business combination, etc.)

Significant revision to the initial allocation of the acquisition cost in the comparative information

During the third quarter ended December 31, 2018, a provisional accounting treatment was applied for the business combination on November 16, 2018 with Advanced Fresh Concepts Corp., and said accounting was finalized on March 31, 2019. In line with the finalization of the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the nine months ended December 31, 2019 have been revised to reflect a significant change to the initial allocation of the acquisition cost.

The amount of goodwill calculated on a provisional basis totaled 2,785 million yen, a decrease of 24,483 million yen from 21,698 million yen.

As a result of the above, ordinary profit increased by 121 million yen, and each of profit before income taxes, profit, and profit attributable to owners of the parent increased by 2,907 million yen in the quarterly consolidated statements for the nine months ended December 31, 2018.