

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

May 14, 2020

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 26, 2020
Scheduled date for submission of annual securities report: June 29, 2020
Scheduled date for payment of dividends: June 29, 2020
Supplementary documents for financial results : Yes
Financial results briefing : No (suspended to prevent the spread of COVID-19)
(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year ended March 2020 (April 1, 2019 to March 31, 2020)

(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, 2020	630,435	3.7	20,918	11.1	19,903	9.3	11,978	20.7
March 31, 2019	607,679	4.9	18,834	6.9	18,211	3.1	9,924	24.0

Note: Comprehensive income Fiscal Year ended March 31, 2020 8,594 million yen (11.7 %)
Fiscal Year ended March 31, 2019 9,739 million yen (40.4 %)

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating Margin
Fiscal Year ended	Yen	Yen	%	%	%
March 31, 2020	80.31	—	15.1	5.4	3.3
March 31, 2019	67.93	—	14.2	5.4	3.1

Note: Gain/loss on equity method investments: March 31, 2020 8 million yen March 31, 2019 122 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
March 31, 2020	365,853	86,793	23.7	563.30
March 31, 2019	377,779	87,083	19.1	496.34

Note: Shareholders' Equity: March 31, 2020 86,613 million yen March 31, 2019 72,162 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, 2020	33,575	(35,188)	(25,753)	28,928
March 31, 2019	33,129	(52,143)	50,300	57,240

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	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2019	-	9.00	-	9.00	18.00	2,624	26.5	3.8
March 31, 2020	-	10.00	-	10.00	20.00	3,036	24.9	3.8
March 31, 2021 (forecast)	-	-	-	-	-	-	-	-

Note: The dividend for the fiscal year ending March 31, 2021 is undecided at this time.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

Consolidated forecasts for the fiscal year ending March 2021 is yet to be determined as it is difficult to predict due to the effect of COVID-19 spread, and will be notified when the reasonable effect is estimated.

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 : Yes
- (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, 2020	154,862,825 shares	As of March 31, 2019	149,640,445 shares
(ii) Number of treasury stocks at the end of the period	As of March 31, 2020	1,102,736 shares	As of March 31, 2019	4,251,546 shares
(iii) Average number of shares outstanding during the term	FY ended March 31, 2020	149,153,465 shares	FY ended March 31, 2019	146,098,712 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 31, 2020 (April 1, 2019 to March 31, 2020)

(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, 2020	254,937	0.2	2,562	(5.7)	10,276	42.3	7,159	13.7
March 31, 2019	254,448	2.1	2,717	(8.2)	7,222	(21.3)	6,297	92.7

	Basic earnings per share	Diluted earnings per share
Fiscal Year ended	Yen	Yen
March 31, 2020	48.00	—
March 31, 2019	43.11	—

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
March 31, 2020	350,250	79,891	22.8	519.58
March 31, 2019	342,687	55,342	16.1	380.65

Note: Shareholders' Equity: March 31, 2020 79,891 million yen March 31, 2019 55,342 million yen

Year-on-year differences in net profit

In the FY ended March 2020, net income increased by 42.3% as compared with the previous fiscal year mainly due to dividend income of 6,018 million yen recorded as extraordinary income as stated in “Notice Regarding Recording of Extraordinary Gain in Non-consolidated Financial Statements” announced on May 8, 2020.

- * **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**

Consolidated forecasts for the fiscal year ending March 2021 is yet to be determined as it is difficult to predict due to the effect of COVID-19 spread, and will be notified when the reasonable effect is estimated. Please refer to p.5 of the Appendix for more information.

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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 first half of the fiscal year under review (from April 1, 2019 to March 31, 2020), economic conditions in Japan continued a modest recovery with the backdrop of improvements in employment and income environment. However, a consumption tax hike in October and the worldwide spread of COVID-19 created harsh conditions in the second half.

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 100.4%, 92.3%, and 101.0% year-on-year, respectively.

At the end of the fiscal year under review, the number of stores stood at 9,824 (including 4,312 franchised stores), resulting from 419 store openings, 238 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 fiscal year under review showed sales of 630,435 million yen (up 3.7% year-on-year), operating profit of 20,918 million yen (up 11.1% year-on-year), ordinary profit of 19,903 million yen (up 9.3% year-on-year), and profit attributable to owners of parent of 11,978 million yen (up 20.7% year-on-year).

An overview of conditions by business segment is provided below.

1) Restaurant business

Sales of the Restaurant business in the fiscal year under review were 547,677 million yen (up 4.4% year-on-year), and the operating profit was 20,322 million yen (up 8.7% 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 March 31, 2020 stood at 2,997 (including 10 franchised restaurants), as a result of 139 restaurant openings and 33 closures.

Sukiya, a Gyudon chain operated by Sukiya Co., has made efforts to enhance the product competitiveness by launching "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]), "Shredded Leek Gyudon" (regular size: 500 yen [tax included]), and "Arrabiata Gyudon w/ Cream Cheese" (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 effective sales promotions while enhancing product competitiveness through introduction of new and seasonal products, improvement of existing products, and expansion of take-out product lineup.

As a result of the above, sales in the Gyudon category in the fiscal year under review totaled 219,760 million yen (up 2.5% year-on-year).

(Family Dining category)

The number of restaurants in the Family Dining category as of March 31, 2020 stood at 1,359 (including 79 franchised restaurants), as a result of 25 restaurant openings and 37 closures.

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 dishes, improving the standard of service across the chain, and further expansion of take-out product lineup.

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 enhancing the take-out products.

Jolly-Pasta, the pasta specialty restaurant chain, operated by Jolly-Pasta Co., Ltd., seeks to provide further deliciousness and fun to customers by expanding the lineup of the menu, introducing new dishes using safe

seasonal ingredients as a “pasta specialty restaurant that pursues deliciousness and fun.”

Barbeque restaurants including Takarajima, Jukusei Yakiniku Ichiban, Gyu-An, and Ichiban, operated by TAG-1 Co., Ltd., have been working to brush up the business concept, while making efforts to provide high quality products with carefully selected beef and seasonal ingredients, and to improve the quality of service levels at restaurants.

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 attractive Japanese style products using seasonal ingredients, improvement of service levels at restaurants, and improvement of labor productivity.

As a result of these efforts, sales in the Family Dining category in the fiscal year under review were 120,496 million yen (down 6.8% year-on-year).

(Fast Food Service category)

The number of restaurants in the Fast Food Service category as of March 31, 2020 stood at 933 (including 1 franchised restaurant), resulting from 38 restaurant openings, 19 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, while working on various issues such as introducing special menu using seasonal ingredients, improving quality of products, enhancing service level, conducting promotions at stores, and expanding take-out products lineup.

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 fiscal year under review were 150,070 million yen (up 7.3% year-on-year).

(Other category)

The number of stores in the Other category as of March 31, 2020 stood at 4,402 (including 4,222 franchised stores), as a result of 214 store openings and 141 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.

As a result of the above, sales in the Other category in the fiscal year under review were 57,350 million yen (up 39.6% year-on-year).

2) Retail Business

Sales in the Retail business in the fiscal year under review were 82,757 million yen (down 0.3% year-on-year), and the operating profit was 595 million yen (up 330.0% 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) Overview of Financial Position for the Term Under Review

(Total Assets)

Total assets amounted to 365,853 million yen as of March 31, 2020, a decrease of 11,925 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 279,060 million yen as of March 31, 2020, a decrease of 11,635 million yen compared with the previous fiscal year-end. This decrease was mainly due to payback of interest-bearing liabilities.

(Net Assets)

Net Assets amounted to 86,793 million yen as of March 31, 2020, a decrease of 289 million yen compared with the previous fiscal year-end. This decrease was mainly due to decreases in foreign currency translation adjustment and non-controlling interests, partly offset by 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	57,240
Cash flow from operating activities	33,575
Cash flow from investing activities	(35,188)
Cash flow from financing activities	(25,753)
Ending balance of cash and cash equivalents	28,928
(reference) Free cash flow	(1,613)

At the end of the fiscal year under review, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to 28,928 million yen, down 28,312 million yen from the beginning of the fiscal year under review. This was mainly due to a decrease of net cash resulted from payback of interest-bearing liabilities and acquisition of property, plant and equipment and intangible assets in association with store openings and M&A, partly offset by recording of net profit before income taxes and depreciation.

(Cash flow from operating activities)

Cash flow from operating activities resulted in an increase in net cash of 33,575 million yen. This was mainly due to net profit before income taxes and depreciation recorded.

(Cash flow from investing activities)

Cash flow from investing activities resulted in a decrease in net cash of 35,188 million yen. This was mainly due to acquisition of property, plant and equipment and intangible assets in association with store openings and M&A.

(Cash flow from financing activities)

Cash flow from financing activities resulted in a decrease of net cash of 25,753 million yen. This was mainly due to payback of interest-bearing liabilities.

(4) Future Outlook

1) Future Outlook

As for the outlook for the next term, the severe economic environment is expected to remain as it is difficult to predict when the turmoil caused by the worldwide spread of COVID-19 will come to an end.

In the restaurant industry, business environment is anticipated to remain stringent, with the COVID-19 prevention measures, such as the stay-at home request and the shorter operating hours, are taken.

Under the circumstances where the spread of COVID-19 continues, Zensho will make efforts to maintain employment of workers by selling take-out products without opening the restaurants, and/or conducting cleanup of stores that are closed to operate shorter operating hours. Our basic policy is to provide our customers safe and tasty food whenever possible as a “food infrastructure”, and we believe that the securing employment is one of our important missions to mitigate a risk of economic stagnation. In addition, we will take necessary measures to respond the changing situation based on the guidelines and directions of government and/or local governments.

Going forward, 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.

Since it is difficult to predict the future under these circumstances, our performance forecast will be notified when the reasonable effect is estimated.

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, 2019)	End of Current fiscal year (As of March 31, 2020)
Assets		
Current Assets		
Cash and deposits	57,240	28,928
Notes and accounts receivable - trade	14,310	13,937
Merchandise and finished goods	20,936	20,779
Work in process	692	782
Raw materials and supplies	5,611	6,237
Other	15,980	18,319
Allowance for doubtful accounts	(96)	(131)
Total current assets	114,675	88,853
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	196,985	205,939
Accumulated depreciation	(114,431)	(121,479)
Buildings and structures, net	82,554	84,459
Machinery, equipment and vehicles	13,300	14,833
Accumulated depreciation	(8,035)	(8,985)
Machinery, equipment and vehicles, net	5,264	5,847
Tools, furniture and fixtures	64,324	69,588
Accumulated depreciation	(45,043)	(48,821)
Tools, furniture and fixtures, net	19,281	20,766
Land	19,197	20,418
Lease assets	23,508	29,551
Accumulated depreciation	(8,729)	(10,800)
Lease assets, net	14,779	18,751
Construction in progress	684	979
Total property, plant and equipment	141,760	151,223
Intangible assets		
Trade mark right	34,446	37,992
Goodwill	16,644	17,426
Other	3,568	3,428
Total intangible assets	54,659	58,846
Investments and other assets		
Investment securities	3,425	2,507
Guarantee deposits	33,295	33,405
Long-term loans receivable	84	82
Long-term prepaid rent	18,974	18,054
Deferred tax assets	6,394	8,509
Other	4,407	4,277
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	66,569	66,823
Total non-current assets	262,989	276,894
Deferred assets		
Share issuance cost	—	30
Bond issuance cost	114	75
Total deferred assets	114	105
Total assets	377,779	365,853

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2019)	End of Current fiscal year (As of March 31, 2020)
Liabilities		
Current Liabilities		
Notes and accounts payable, trade	22,305	20,261
Short-term loans payable	1,382	1,441
Current portions of bonds	1,600	1,600
Current portion of long-term loans payable	24,891	23,647
Lease obligations	2,760	4,150
Income taxes payable	3,456	3,269
Provision for bonuses	2,300	2,269
Other	32,755	33,424
Total current liabilities	91,451	90,064
Non-current liabilities		
Bonds payable	27,200	25,600
Long-term loans payable	141,163	128,500
Lease obligations	13,622	16,604
Net defined benefit liability	781	714
Asset retirement obligations	3,100	3,336
Deferred tax liabilities	9,699	10,652
Other	3,676	3,588
Total non-current liabilities	199,244	188,996
Total liabilities	290,696	279,060
Net assets		
Shareholders' equity		
Capital stock	23,470	26,996
Capital surplus	24,261	24,817
Retained earnings	34,432	42,090
Treasury shares	(8,021)	(2,260)
Total shareholders' equity	74,143	91,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(73)	(79)
Deferred gains or losses on hedges	(0)	(66)
Remeasurements of defined benefit plans	(227)	(35)
Foreign currency translation adjustment	(1,680)	(4,849)
Total accumulated other comprehensive income	(1,980)	(5,030)
Non-controlling interests	14,920	179
Total net assets	87,083	86,793
Total liabilities and net assets	377,779	365,853

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

	(Million yen)	
	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net Sales	607,679	630,435
Cost of Sales	261,226	267,680
Gross Profit	346,453	362,754
Selling, General and Administrative Expenses	327,619	341,835
Operating Profit	18,834	20,918
Other Income		
Interest income	433	548
Dividend income	7	4
Share of profit of entities accounted for using equity method	122	8
Rent income	140	141
Subsidy income	205	780
Other	715	707
Total non-operating income	1,624	2,189
Non-operating expenses		
Interest expenses	1,213	1,986
Rent expenses	72	60
Foreign exchange losses	21	57
Amortization of long-term prepaid expenses	413	535
Other	527	563
Total non-operating expenses	2,247	3,204
Ordinary profit	18,211	19,903
Extraordinary income		
Gain on bargain purchase	2,785	—
Compensation income for expropriation	36	134
Insurance income	58	161
Compensation income	128	121
Other	754	78
Total extraordinary income	3,763	495
Extraordinary losses		
Loss on retirement of non-current assets	1,423	1,149
Impairment losses	1,175	2,405
Other	904	1,192
Total extraordinary losses	3,503	4,747
Net Profit before income taxes	18,470	15,650
Income taxes - current	5,725	5,969
Income taxes - deferred	2,388	(1,985)
Total income taxes	8,113	3,984
Net Profit	10,356	11,666
Profit attributable to non-controlling interests	432	(311)
Profit attributable to owners of parent	9,924	11,978

(Consolidated Statement of Comprehensive Income)

(Million yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net Profit	10,356	11,666
Other comprehensive income		
Valuation difference on available-for-sale securities	(48)	(7)
Deferred gains or losses on hedges	605	(65)
Remeasurements of defined benefit plans	(202)	192
Foreign currency translation adjustment	(969)	(3,187)
	(2)	(2)
Total other comprehensive income	(617)	(3,071)
Comprehensive income	9,739	8,594
(Breakdown)		
Comprehensive income attributable to owners of parent	9,311	8,928
Comprehensive income attributable to non-controlling interests	427	(333)

(3) Consolidated Statement of Changes in Shareholders' Equity

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 shares				(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 shares							(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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity
Beginning balance	23,470	24,261	34,432	(8,021)	74,143
Cumulative effect of an accounting change			(919)		(919)
Beginning balance reflecting the accounting change	23,470	24,261	33,512	(8,021)	73,223
Changes during the period					
Issuance of new shares	3,525	3,525			7,051
Increase by share exchanges		6,603			6,603
Dividends from surplus			(2,807)		(2,807)
Profit attributable to owners of parent			11,978		11,978
Acquisition of treasury shares				(2,497)	(2,497)
Disposal of treasury shares		802		8,263	9,065
Acquisition of shares of parent company				(4)	(4)
Change of scope of consolidation			(593)		(593)
Change in shares of consolidated subsidiary		(10,162)			(10,162)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(212)			(212)
Changes during the period (net) in accounts other than shareholders' equity					
Total changes during the period	3,525	555	8,577	5,761	18,420
Ending balance	26,996	24,817	42,090	(2,260)	91,643

	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	(73)	(0)	(227)	(1,680)	(1,980)	14,920	87,083
Cumulative effect of an accounting change							(919)
Beginning balance reflecting the accounting change	(73)	(0)	(227)	(1,680)	(1,980)	14,920	86,163
Changes during the period							
Issuance of new shares							7,051
Increase by share exchanges							6,603
Dividends from surplus							(2,807)
Profit attributable to owners of parent							11,978
Acquisition of treasury shares							(2,497)
Disposal of treasury shares							9,065
Acquisition of shares of parent company							(4)
Change of scope of consolidation							(593)
Change in shares of consolidated subsidiary							(10,162)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(212)
Changes during the period (net) in accounts other than shareholders' equity	(5)	(65)	192	(3,169)	(3,049)	(14,740)	(17,790)
Total changes during the period	(5)	(65)	192	(3,169)	(3,049)	(14,740)	629
Ending balance	(79)	(66)	(35)	(4,849)	(5,030)	179	86,793

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	18,470	15,650
Depreciation	20,311	21,999
Impairment losses	1,175	2,405
Amortization of goodwill	1,421	1,761
Amortization of negative goodwill	(2)	(2)
Gain on bargain purchase	(2,785)	—
Increase (decrease) in allowance for doubtful accounts	(1)	(16)
Increase (decrease) in allowance for bonuses	173	(35)
Increase (decrease) in net defined benefit liability	41	71
Interest and dividend income	(440)	(552)
Interest expenses	1,213	1,986
Foreign exchange losses (gains)	0	133
Share of (profit) loss of entities accounted for using equity method	(122)	(8)
Loss (gain) on sales of investment securities	(38)	(0)
Loss (gain) on sales of property, plant and equipment	(669)	(4)
Loss on retirement of property, plant and equipment	1,268	1,039
Other extraordinary loss (income)	260	(49)
Other non-operating expenses (income)	(64)	(6)
Decrease (increase) in notes and accounts receivable - trade	(210)	309
Decrease (increase) in inventories	(4,565)	(309)
Increase (decrease) in notes and accounts payable - trade	(851)	(2,371)
Loss (gain) on valuation of investment securities	—	2
Increase (decrease) in accrued consumption taxes	347	1,286
Decrease (increase) in other current assets	1,366	1,867
Decrease (increase) in other non-current assets	721	877
Increase (decrease) in other current liabilities	738	(3,554)
Increase (decrease) in other non-current liabilities	(75)	(349)
Subtotal	37,683	42,130
Interest and dividend income received	128	286
Interest expenses paid	(1,140)	(1,988)
Income taxes paid	(3,542)	(6,853)
Net cash provided by (used in) operating activities	33,129	33,575

(Million yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,570)	(23,980)
Proceeds from sales of property, plant and equipment	2,231	964
Purchase of intangible assets	(1,240)	(1,030)
Purchase of long-term prepaid expenses	(246)	(167)
Purchase of long-term investment securities	(1,896)	(1,915)
Proceeds from sales of long-term investment securities	51	3
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27,387)	(6,634)
Payments of loans receivable	(221)	(557)
Payments for guarantee deposits	(783)	(961)
Proceeds from collection of guarantee deposits	1,004	1,120
Expenditures on lease premiums	(76)	(70)
Purchase of long term prepaid rents	(1,616)	(1,542)
Other, net	(393)	(417)
Net cash provided by (used in) investing activities	(52,143)	(35,188)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	582	628
Proceeds from long-term loans payable	81,596	10,488
Repayments of long-term loans payable	(36,278)	(25,006)
Repayments of lease obligations	(2,708)	(3,433)
Purchase of treasury stock	(2,000)	(2,497)
Proceeds from sales of treasury shares	—	4
Purchase of treasury stock of consolidated subsidiary	—	(1,802)
Proceeds from issuance of bonds	15,000	—
Redemption of bonds	(1,780)	(1,600)
Repayments of installment payables	(182)	—
Proceeds from share issuance to non-controlling shareholders	104	—
Cash dividends paid	(2,627)	(2,803)
Dividends paid to non-controlling interests	(214)	(109)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(150)
Others	(1,192)	527
Net cash provided by (used in) financing activities	50,300	(25,753)
Effect of exchange rate change on cash and cash equivalents	(271)	(1,399)
Net increase (decrease) in cash and cash equivalents	31,014	(28,765)
Beginning balance of cash and cash equivalents	26,142	57,240
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	83	453
Ending balance of cash and cash equivalents	57,240	28,928

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

Adoption of the “Revenue from Contracts with Customers” (ASC606)

The overseas subsidiaries which apply US GAAP adopted ASC 606, “Revenue from Contracts with Customers” from the beginning of the fiscal year ended March 31, 2020.

As a result, for the consolidated fiscal year under review, the beginning balance of retained earnings decreased by 919 million yen. The effect of these changes on the profit and loss and per share information for the consolidated fiscal year under review is immaterial.

(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, 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.

Current Fiscal Year (From April 1, 2019 to March 31, 2020)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	547,677	82,757	630,435	—	630,435
Intersegment Sales or Transfers	2,374	27	2,401	(2,401)	—
Total	550,052	82,784	632,836	(2,401)	630,435
Segment Profit	20,322	595	20,917	0	20,918
Other Items					
Depreciation	21,003	1,045	22,048	(49)	21,999
Amortization of goodwill	1,230	531	1,761	—	1,761

- (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 17,426 million yen.
4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

(Per Share Information)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net assets per share	496.34 yen	563.30 yen
Net profit per share	67.93 yen	80.31 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, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net profit attributable to owners of parent (million yen)	9,924	11,978
Amount not attributable to ordinary shareholders (million yen)	—	—
Net profit attributable to owners of parent relating to common stocks (million yen)	9,924	11,978
Average number of shares during the period (shares)	146,098,712	149,153,465

(Material Subsequent events)

Not applicable.