

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021 (Japanese Accounting Standards)

February 5, 2021

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 5, 2021
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, 2020 to December 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2020	448,340	(6.6)	4,746	(74.5)	4,666	(74.1)	(192)	—
December 31, 2019	479,887	5.5	18,613	27.0	17,985	27.7	10,349	11.3

Note: Comprehensive income Nine months ended December 31, 2020 -1,422 million yen(- %)
Nine months ended December 31, 2019 8,671 million yen(-3.4 %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	(1.26)	-
December 31, 2019	70.00	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
December 31, 2020	382,811	78,694	20.5	516.27
March 31, 2020	365,853	86,793	23.7	563.30

Note: Shareholders' Equity: December 31, 2020 78,539 million yen March 31, 2020 86,613 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, 2020	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2021	-	10.00	-		
Fiscal year ending March 31, 2021 (forecast)				10.00	20.00

Note: Revisions to dividend forecasts published recently : None

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

(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	625,403	(0.8)	8,839	(57.7)	7,396	(62.8)	1,000	(91.7)	6.57

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, 2020	154,862,825 shares	As of March 31, 2020	154,862,825 shares
(ii) Number of treasury stocks at the end of the period	As of December 31, 2020	2,732,931 shares	As of March 31, 2020	1,102,736 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	Nine months ended December 31, 2020	152,641,564 shares	Nine months ended December 31, 2019	147,844,268 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.4 of the Appendix for information on the above forecast.

Appendix: Table of contents

1. Qualitative Information on Results for the Cumulative third Quarter Ended December 31, 2020	2
(1) Details of Consolidated Financial Results	2
(2) Details of Consolidated Financial Position.....	4
(3) Information on the Future Outlook, Including Consolidated Business Performance Forecast ...	4
2. Quarterly Consolidated Financial Statements and Major Notes.....	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes on Quarterly Consolidated Financial Statements	9
(Notes on Going Concern Assumptions)	9
(Notes for Case Where Shareholders' Equity Underwent Significant Changes in Value)	9
(Segment Information)	9
(Business Combinations, etc.)	10

1. Qualitative Information on Results for the Cumulative Third Quarter Ended December 31, 2020

(1) Details of Consolidated Financial Results

In the cumulative third quarter of the fiscal year under review (from April 1, 2020 to December 31, 2020), economic conditions in Japan deteriorated sharply due to stagnant personal consumption and economic activities resulting from the global spread of the COVID-19. Although economic activities have been gradually recovering in some area since the lift of emergency declaration in May, situation still remains unpredictable due to the rebound in the rise of infections which began in the last fall.

In the restaurant industry, although some signs of recovery are seen in some parts thanks to the various policies of the central and local governments and other factors, it is likely that COVID-19 effects are protracted and the situation remains uncertain.

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 94.9%, 78.5%, and 88.0% year-on-year, respectively.

At the end of December 2020, the number of stores was 9,891 (including 4,394 franchised stores), resulting from 281 store openings and 217 closures.

Consequently, the business performance in the cumulative third quarter of the fiscal year under review showed sales of 448,340 million yen (down 6.6% year-on-year), operating profit of 4,746 million yen (down 74.5% year-on-year), ordinary profit of 4,666 million yen (down 74.1% year-on-year), and loss attributable to owners of parent of 192 million yen (profit of 10,349 million yen in the same period of previous 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 381,463 million yen (down 8.7% year-on-year), and the operating profit was 3,242 million yen (down 82.3% year-on-year) due to a protracted effect of the spread of COVID-19.

Even with the protracted effect of the spread of COVID-19, the performance has been picking up as a result of reinforcement of sales operations to reflect the change of customers' lifestyle, as well as the effect of various policies of the central and local governments in some business segments. From last fall, however, the business environment became severe again as COVID-19 infections has rebounded.

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

(Gyudon category)

Sales in the Gyudon category in the cumulative third quarter of the fiscal year under review totaled 162,734 million yen (down 3.1% year-on-year).

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., has made efforts to enhance the product competitiveness by launching new products such as "Gyudon w/ Chili Garlic Sprout" (regular size: 500 yen [tax included]), "Gyudon w/ Omelet" (regular size: 520 yen [tax included]), and "Chili Bamboo Shoot Gyudon" (regular size: 520 yen [tax included]).

At the same time, Sukiya has been working to accommodate customers' new lifestyle through various ways including offering take out hot pot dishes, which are Sukiya's regular winter products.

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 its business performance by undertaking effective sales promotions while enhancing product competitiveness through introduction of new and seasonal products, improvement of existing products, and expansion of take out product line up.

The number of restaurants in the Gyudon category at the end of December, 2020 was 3,058 (including 9 franchised restaurants), as a result of 90 restaurant openings and 29 closures.

(Family Dining category)

Sales in the Family Dining category in the cumulative third quarter of the fiscal year under review were 72,243 million yen (down 21.3% year-on-year).

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., has made efforts to improve its business performance by enriching the menu, introducing dainty campaign dishes, improving the standard of service across the chain, and further expansion of take out product line up.

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 brushing up the main products, enriching salad bar and soup bar, which are highly supported by customers, 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 line up 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 Yakiniiku 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 Japanesecuisine restaurant chain operated by Hanaya Yohei Co., Ltd., has been working to improve customer 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.

The number of restaurants in the Family Dining category at the end of December, 2020 was 1,298 (including 79 franchised restaurants), as a result of 31 restaurant openings and 95 closures.

(Fast Food Service category)

Sales in the Fast Food Service category in the cumulative third quarter of the fiscal year under review were 103,087 million yen (down 9.8% year-on-year).

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 line up.

The Chicken Rice Shop, specialty chicken rice chain stores operated by TCRS Restaurants Sdn. Bhd., obtained a halal certificate and developed shops throughout Malaysia, which are supported by families regardless of age and gender.

The number of restaurants in the Fast Food Service category at the end of December, 2020 was 947 (including 1 franchised restaurant), as a result of 24 restaurant openings and 10 closures.

(Other category)

Sales in the Other category in the cumulative third quarter of the fiscal year under review were 43,397 million yen (down 1.1% year-on-year).

Main businesses in this category include Advanced Fresh Concepts Corp., which operates takeout sushi stores in the U.S., Canada, and Australia; Tolona Japan Co., Ltd., which sells frozen foods for home use, 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.

The number of stores in the Other category at the end of December, 2020 was 4,459 (including 4,305 franchised stores), as a result of 135 store openings and 78 closures.

2) Retail Business

Sales in the Retail business in the cumulative third quarter of the fiscal year under review were 66,877 million yen (up 7.8% year-on-year), and the operating profit was 1,503 million yen (up 432.7% year-on-year).

Sales and profits in the retail business increased as a result of efforts to secure stable provision of safe and reliable products, while continuously implementing proper measures to prevent infection at stores.

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.

The number of stores in the Retail business category at the end of December, 2020 stood at 129 as a result of 1 store opening and 5 closures.

(2) Details of Consolidated Financial Position

(Total Assets)

Total assets stood at 382,811 million yen as of December 31, 2020, an increase of 16,958 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in cash and deposits and property, plant and equipment.

(Liabilities)

Liabilities amounted to 304,117 million yen as of December 31, 2020, an increase of 25,056 million yen compared with the previous fiscal year-end. This increase was mainly due to an increase in interest-bearing liabilities.

(Net Assets)

Net Assets came at 78,694 million yen as of December 31, 2020, a decrease of 8,098 million yen compared with the previous fiscal year-end. This decrease was mainly due to a decrease in retained earnings and purchase of treasury shares.

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

There are no changes to the consolidated business performance forecasts announced on August 7, 2020, for the period ending March 31, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2020)	End of 3Q, Current fiscal year (As of December 31, 2020)
Assets		
Current Assets		
Cash and deposits	28,928	36,572
Notes and accounts receivable - trade	13,937	21,642
Merchandise and finished goods	20,779	17,825
Work in process	782	772
Raw materials and supplies	6,237	8,669
Other	18,319	18,147
Allowance for doubtful accounts	(131)	(125)
Total current assets	88,853	103,504
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	205,939	205,127
Accumulated Depreciation	(121,479)	(120,552)
Buildings and structures, net	84,459	84,575
Machinery, equipment and vehicles	14,833	15,420
Accumulated Depreciation	(8,985)	(8,879)
Machinery, equipment and vehicles, net	5,847	6,540
Other	120,537	130,051
Accumulated Depreciation	(59,622)	(64,147)
Other, net	60,915	65,904
Total property, plant and equipment	151,223	157,020
Intangible assets		
Trade mark right	37,992	36,405
Goodwill	17,426	16,107
Other	3,428	3,645
Total intangible assets	58,846	56,158
Investments and other assets		
Investment securities	2,507	2,636
Guarantee deposits	33,405	33,497
Other	30,924	29,941
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	66,823	66,060
Total non-current assets	276,894	279,239
Deferred assets	105	67
Total assets	365,853	382,811

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2020)	End of 3Q, Current fiscal year (As of December 31, 2020)
Liabilities		
Current Liabilities		
Notes and accounts payable, trade	20,261	25,745
Short-term loans payable	1,441	1,203
Current portions of bonds	1,600	16,600
Current portion of long-term loans payable	23,647	28,979
Income taxes payable	3,269	709
Provision	2,269	1,230
Other	37,574	47,195
Total current liabilities	90,064	121,663
Non-current liabilities		
Bonds payable	25,600	9,800
Long-term loans payable	128,500	135,152
Net defined benefit liability	714	715
Asset retirement obligations	3,336	3,392
Other	30,845	33,393
Total non-current liabilities	188,996	182,453
Total liabilities	279,060	304,117
Net assets		
Shareholders' equity		
Capital stock	26,996	26,996
Capital surplus	24,817	24,817
Retained earnings	42,090	38,778
Treasury shares	(2,260)	(5,816)
Total shareholders' equity	91,643	84,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(79)	(77)
Deferred gains or losses on hedges	(66)	(162)
Remeasurements of defined benefit plans	(35)	(26)
Foreign currency translation adjustment	(4,849)	(5,970)
Total accumulated other comprehensive income	(5,030)	(6,236)
Non-controlling interests	179	154
Total net assets	86,793	78,694
Total liabilities and net assets	365,853	382,811

(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, 2019 to December 31, 2019)	Cumulative 3Q, Current fiscal year (From April 1, 2020 to December 31, 2020)
Net Sales	479,887	448,340
Cost of Sales	204,182	191,962
Gross Profit	275,705	256,377
Selling, General and Administrative Expenses	257,092	251,631
Operating Profit	18,613	4,746
Other Income		
Interest income	448	274
Dividend income	4	5
Foreign exchange gains	262	63
Share of profit of entities accounted for using equity method	13	4
Subsidy income	249	1,164
Other	737	688
Total non-operating income	1,716	2,201
Non-operating expenses		
Interest expenses	1,504	1,518
Other	839	761
Total non-operating expenses	2,343	2,280
Ordinary profit	17,985	4,666
Extraordinary income		
Insurance income	25	201
Other	92	41
Total extraordinary income	118	242
Extraordinary losses		
Loss on retirement of non-current assets	777	1,944
Impairment loss	375	—
Other	597	882
Total extraordinary losses	1,751	2,826
Profit (loss) before income taxes	16,353	2,082
Income taxes - current	4,182	2,011
Income taxes - deferred	1,951	299
Total income taxes	6,133	2,310
Profit (loss)	10,219	(228)
Profit (loss) attributable to non-controlling interests	(129)	(36)
Profit (loss) attributable to owners of parent	10,349	(192)

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

	(Million yen)	
	Cumulative 3Q, Previous fiscal year (From April 1, 2019 to December 31, 2019)	Cumulative 3Q, Current fiscal year (From April 1, 2020 to December 31, 2020)
Profit (Loss)	10,219	(228)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	1
Deferred gains or losses on hedges	10	(95)
Remeasurements of defined benefit plans, net of tax	113	8
Foreign currency translation adjustment	(1,671)	(1,096)
Share of other comprehensive income of entities accounted for using equity method	(0)	(12)
Total other comprehensive income	(1,548)	(1,194)
Comprehensive income	8,671	(1,422)
(Breakdown)		
Comprehensive income attributable to owners of parent	8,800	(1,398)
Comprehensive income attributable to non- controlling interests	(128)	(24)

(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, 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	18,330	282	18,612	0	18,613

(Note) 1. Adjustment amount of segment profit of 0 million yen 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)

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 ended March 31, 2020. With this acquisition, goodwill increased by 1,685 million yen.

(Major negative goodwill profit)

Not applicable.

II Third quarter of Fiscal Year under review (From April 1, 2020 to December 31, 2020)

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	381,463	66,877	448,340	—	448,340
Intersegment Sales or Transfers	2,232	19	2,252	(2,252)	—
Total	383,696	66,897	450,593	(2,252)	448,340
Segment Profit	3,242	1,503	4,745	0	4,746

- (Note) 1. Adjustment amount of segment profit of 0 million yen 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, 2019 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)

Not applicable.

(Major change in goodwill)

Not applicable.

(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 cumulative third quarter ended December 31, 2019, a provisional accounting treatment was applied for the business combination on May 31, 2019 with TCRS Restaurants Sdn. Bhd., and said accounting was finalized on March 31, 2020. 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, 2020 have been revised to reflect a significant change to the initial allocation of the acquisition cost.

The amount of goodwill totaled 1,685 million yen, a decrease of 3,314 million yen from 4,999 million yen, which was calculated on a provisional basis.

As a result of the above, each of ordinary profit, profit before income taxes, profit, and profit attributable to owners of the parent decreased by 50 million yen in the quarterly consolidated statements for the nine months ended December 31, 2019.