

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2023 (Japanese Accounting Standards)

August 10, 2022

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Scheduled date for submission of quarterly securities report: August 10, 2022

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, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	178,398	16.9	2,661	(7.4)	8,166	58.8	4,428	259.2
June 30, 2021	152,607	18.9	2,875	—	5,142	—	1,232	—

Note: Comprehensive income Three months ended June 30, 2022 12,371 million yen(717.7 %)
 Three months ended June 30, 2021 1,516 million yen(— %)

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2022	Yen 29.11	Yen —
June 30, 2021	8.10	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
June 30, 2022	443,377	114,989	25.6	747.51
March 31, 2022	427,172	104,486	24.2	679.19

Note: Shareholders' Equity: June 30, 2022 113,711 million yen March 31, 2022 103,320 million yen

2. Dividends

	Dividend per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Full year
Fiscal year ended March 31, 2022	Yen —	Yen 11.00	Yen —	Yen 11.00	Yen 22.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (forecast)	—	12.00	—	12.00	24.00

Note: Revisions to dividend forecasts published recently : No

3. Consolidated Forecasts for Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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)	370,321	16.8	11,380	31.8	11,592	(11.3)	6,942	7.9	45.63
Full year	745,549	13.2	25,000	170.8	24,673	6.7	14,027	1.1	92.21

Note: Revisions to consolidated financial forecasts published recently : No

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 shares)	As of June 30, 2022	154,862,825 shares	As of March 31, 2022	154,862,825 shares
(ii) Number of treasury shares at the end of the period	As of June 30, 2022	2,742,316 shares	As of March 31, 2022	2,740,712 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	As of June 30, 2022	152,121,594 shares	As of June 30, 2021	152,125,239 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, 2022

(1) Details of Consolidated Financial Results

In the first quarter of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022), the business performance showed sales of 178,398 million yen (up 16.9% year-on-year), operating profit of 2,661 million yen (down 7.4% year-on-year), ordinary profit of 8,166 million yen (up 58.8% year-on-year), and profit attributable to owners of parent of 4,428 million yen (up 259.2% year-on-year).

In the business environment surrounding Zensho, while global energy and raw material prices have risen sharply due to supply constraints and geopolitical risks in Ukraine and elsewhere, sales of domestic restaurant business showed a trend towards recovery owing to the lift of priority measures to prevent the spread of infection at the end of March 2022. In the overseas restaurant business as well, signs of recovery are seen as evidenced by an easing of lock down in China in June.

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 107.1%, 130.5%, and 121.5% year-on-year, respectively.

At the end of June, 2022, the number of stores stood at 10,101 (including 4,529 franchised stores), as a result of 88 store openings and 64 closures.

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 were 159,196 million yen (up 19.8% year-on-year), and the operating profit was 3,341 million yen (up 17.7% year-on-year).

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

(Gyudon category)

Sales in the Gyudon category in the first quarter of the fiscal year totaled 57,708 million yen (up 6.7% year-on-year).

Sukiya, a Gyudon chain, has aggressively launched new products and seasonal specialties such as "Gyudon w/ Spicy Cheesy Tomato, Kale & Nuts" (regular size: 650 yen) and "Gyudon w/ Chili Garlic Sprout" (regular size: 550 yen).

Nakau, a rice bowl dishes and Kyoto-style udon noodle chain, has made active efforts including improvement of existing products to strengthen the product appeal.

The number of restaurants in the Gyudon category at the end of June 2022 was 3,084 (including 8 franchised restaurants), as a result of 17 restaurant openings and 11 closures.

(Family Dining category)

Sales in the Family Dining category in the first quarter of the fiscal year were 26,429 million yen (up 29.4% year-on-year).

Coco's, a standard restaurant chain, has made efforts to improve its business performance by enhancing the products' competitiveness through active introduction of fair menus, pursuing the authentic taste rivaling specialty restaurants, and improving the standard of services to enable customers enjoy the meal with satisfaction.

Jolly-Pasta, a pasta specialty restaurant chain, has worked to introduce new pasta products using tasty seasonal ingredients, as well as expand non-pasta products such as hand-made pizza, salad, appetizers, etc., as a "pasta specialty restaurant that pursues deliciousness and fun."

In addition to the above, Family Dining category includes Big Boy, a chain of hamburger steak and steak restaurants, Jukusei Yakiniku Ichiban, a barbecue chain that offers carefully selected beef, Hanaya Yohei, a Japanese cuisine chain, and OLIVENOOKA, an Italian cuisine specialty restaurant chain.

The number of restaurants in the Family Dining category at the end of June, 2022 was 1,216 (including 79 franchised restaurants), as a result of 5 restaurant openings and 13 closures.

(Fast Food Service category)

Sales in the Fast Food Service category in the first quarter of the fiscal year were 43,803 million yen (up 28.8% year-on-year).

Hamazushi, a 100-yen sushi chain, has endeavored to actively introduce fair menus, enhance quality of products, and improve the productivity.

In addition to the above, the Fast Food Service category includes Kyubeiya, which offers Musashino udon noodle and tempura, and The Chicken Rice Shop, a chicken rice specialty chain with halal certificate which operates mainly in Malaysia.

The number of restaurants in the Fast Food Service category at the end of June, 2022 stood at 971 (including 1 franchised restaurant), as a result of 6 restaurant openings and 3 closures.

(Other category)

Sales in the Other category in the first quarter of the fiscal year were 31,255 million yen (up 28.1% year-on-year).

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

The number of stores in the Other category at the end of June, 2022 stood at 4,700 (including 4,441 franchised stores), as a result of 60 store openings and 37 closures.

ii) Retail Business

Sales in the retail business in the first quarter of the fiscal year were 19,201 million yen (down 2.4% year-on-year), and the operating loss was 680 million yen (operating profit of 35 million yen in the same period of previous year). This is due to a sluggish sales growth compared to plan and increases in energy costs, delivery costs, etc.

The retail business includes JOY MART CO., LTD. which operates supermarket business and United Veggies Co., Ltd. which operates fruit and vegetables stores.

The number of stores in the Retail business category at the end of June 2022 stood at 130.

(2) Details of Consolidated Financial Position

(Total Assets)

Total assets stood at 443,377 million yen as of June 30, 2022, an increase of 16,204 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in cash and deposits, which was resulted from collection of accounts receivable – other, merchandise and finished goods, and property, plant and equipment.

(Liabilities)

Liabilities amounted to 328,387 million yen as of June 30, 2022, an increase of 5,700 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 114,989 million yen as of June 30, 2022, an increase of 10,503 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in retained earnings and foreign currency translation adjustment.

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

There are no changes to the consolidated business performance forecasts announced on May 13, 2022, for the fiscal year ending March 31, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Unit : Millions of yen)

	End of Previous fiscal year (As of March 31, 2022)	End of 1Q, Current fiscal year (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	42,414	46,110
Accounts receivable – trade	24,460	24,044
Merchandise and finished goods	27,528	31,668
Work in process	998	1,020
Raw materials and supplies	10,340	11,065
Other	26,865	26,080
Allowance for doubtful accounts	(168)	(177)
Total current assets	132,439	139,812
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	211,709	215,700
Accumulated depreciation	(126,051)	(127,923)
Buildings and structures, net	85,658	87,777
Machinery, equipment and vehicles	16,078	17,072
Accumulated depreciation	(9,686)	(10,113)
Machinery, equipment and vehicles, net	6,392	6,958
Other	154,180	160,790
Accumulated depreciation	(77,567)	(81,611)
Other, net	76,612	79,179
Total property, plant and equipment	168,663	173,915
Intangible assets		
Trademark right	45,569	50,435
Goodwill	13,106	12,881
Other	4,209	4,278
Total intangible assets	62,885	67,595
Investments and other assets		
Investment securities	1,883	1,921
Guarantee deposits	32,880	33,390
Other	28,372	26,663
Allowance for doubtful accounts	(14)	(15)
Total investments and other assets	63,121	61,959
Total non-current assets	294,671	303,470
Deferred assets	62	94
Total assets	427,172	443,377

(Unit : Millions of yen)

	End of Previous fiscal year (As of March 31, 2022)	End of 1Q, Current fiscal year (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,986	26,961
Short-term borrowings	459	3,770
Current portion of bonds payable	5,000	5,000
Current portion of long-term borrowings	24,380	19,089
Income taxes payable	8,785	3,455
Contract liabilities	643	721
Provisions	2,951	1,410
Other	40,541	46,453
Total current liabilities	109,749	106,864
Non-current liabilities		
Bonds payable	15,000	25,000
Long-term borrowings	151,659	148,518
Retirement benefit liability	707	712
Asset retirement obligations	4,286	4,327
Other	41,283	42,964
Total non-current liabilities	212,937	221,523
Total liabilities	322,686	328,387
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus	24,823	24,824
Retained earnings	51,080	53,552
Treasury shares	(5,839)	(5,843)
Total shareholders' equity	97,060	99,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(72)	(69)
Deferred gains or losses on hedges	684	1,013
Remeasurements of defined benefit plans	18	20
Foreign currency translation adjustment	5,629	13,218
Total accumulated other comprehensive income	6,259	14,183
Non-controlling interests	1,165	1,278
Total net assets	104,486	114,989
Total liabilities and net assets	427,172	443,377

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(First Quarter)

(Unit : Millions of yen)

	1Q, Previous fiscal year (From April 1, 2021 to June 30, 2021)	1Q, Current fiscal year (From April 1, 2022 to June 30, 2022)
Net sales	152,607	178,398
Cost of sales	70,444	84,846
Gross profit	82,162	93,551
Selling, general and administrative expenses	79,287	90,890
Operating profit (loss)	2,875	2,661
Non-operating income		
Interest income	95	75
Dividend income	1	1
Foreign exchange gains	1	211
Share of profit of entities accounted for using equity method	7	8
Subsidy income	2,848	5,940
Other	255	144
Total non-operating income	3,209	6,382
Non-operating expenses		
Interest expenses	644	674
Other	298	202
Total non-operating expenses	942	877
Ordinary profit (loss)	5,142	8,166
Extraordinary income		
Insurance claim income	—	5
Compensation income	54	71
Subsidy for cooperation income	2,498	—
Other	63	40
Total extraordinary income	2,616	117
Extraordinary losses		
Loss on retirement of non-current assets	476	530
Loss on COVID-19 infection control measures	4,162	—
Other	147	680
Total extraordinary losses	4,785	1,210
Profit (Loss) before income taxes	2,973	7,073
Income taxes - current	1,392	1,924
Income taxes - deferred	347	722
Total income taxes	1,740	2,646
Profit (Loss)	1,232	4,426
Profit (Loss) attributable to non-controlling interests	0	(1)
Profit (Loss) attributable to owners of parent	1,232	4,428

(Quarterly Consolidated Statements of Comprehensive Income)
(First Quarter)

(Unit : Millions of yen)

	1Q, Previous fiscal year (From April 1, 2021 to June 30, 2021)	1Q, Current fiscal year (From April 1, 2022 to June 30, 2022)
Profit	1,232	4,426
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	2
Deferred gains or losses on hedges	(205)	329
Remeasurements of defined benefit plans, net of tax	2	1
Foreign currency translation adjustment	488	7,575
Share of other comprehensive income of entities accounted for using equity method	(0)	35
Total other comprehensive income	283	7,944
Comprehensive income	1,516	12,371
(Breakdown)		
Comprehensive income attributable to owners of parent	1,507	12,325
Comprehensive income attributable to non- controlling interests	8	46

(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, 2021 to June 30, 2021)

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	132,925	19,681	152,607	—	152,607
Intersegment Sales or Transfers (Note3)	614	19	633	(633)	—
Total	133,539	19,700	153,240	(633)	152,607
Segment Profit/(Loss)	2,839	35	2,874	0	2,875

(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)

Not applicable.

(Major change in goodwill)

Not applicable.

(Major negative goodwill profit)

Not applicable.

II First quarter of Current Fiscal Year (From April 1, 2022 to June 30, 2022)

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	159,196	19,201	178,398	—	178,398
Intersegment Sales or Transfers (Note3)	848	117	966	(966)	—
Total	160,044	19,319	179,364	(966)	178,398
Segment Profit/(Loss)	3,341	(680)	2,661	0	2,661

(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)

Not applicable.

(Major change in goodwill)

Not applicable.

(Major negative goodwill profit)

Not applicable.