

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

May 12, 2023

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 23, 2023
 Scheduled date for submission of annual securities report: June 26, 2023
 Scheduled date for payment of dividends: June 26, 2023
 Supplementary documents for financial results : Yes
 Financial results briefing : Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

Fiscal Year ended	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	779,964	18.4	21,734	135.4	28,081	21.5	13,265	(4.4)
March 31, 2022	658,503	10.7	9,232	(23.6)	23,117	89.2	13,869	513.8

Note: Comprehensive income Fiscal Year ended March 31, 2023 18,180 million yen (17.7 %)
 Fiscal Year ended March 31, 2022 22,080 million yen (314.7 %)

Fiscal Year ended	Basic earnings per share		Diluted earnings per share		Return on equity (ROE)	Return on assets (ROA)	Operating Margin
	Yen	%	Yen	%	%	%	%
March 31, 2023	87.30	—	—	—	12.1	6.3	2.8
March 31, 2022	91.17	—	—	—	14.7	5.6	1.4

Note: Gain/loss on equity method investments: March 31, 2023 7 million yen March 31, 2022 5 million yen

(2) Consolidated Financial Position

Fiscal Year ended	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	469,563	115,837	24.6	761.63
March 31, 2022	427,172	104,486	24.2	679.19

Note: Shareholders' Equity: March 31, 2023 115,633 million yen March 31, 2022 103,320 million yen

(3) Consolidated Cash Flows

Fiscal Year ended	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
March 31, 2023	53,078	(35,200)	1,844	64,690
March 31, 2022	45,430	(31,550)	(11,986)	42,414

2. Dividends

Fiscal Year ended	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			
March 31, 2022	-	11.00	-	11.00	22.00	3,346	24.1	3.5
March 31, 2023	-	12.00	-	12.00	24.00	3,650	27.5	3.3
March 31, 2024 (forecast)	-	20.00	-	20.00	40.00		26.4	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages (%) indicate changes from the previous year)

Q2 (Cumulative) Full 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
	441,144	17.4	20,189	147.7	18,818	37.2	11,982	62.8	78.92
	898,466	15.2	40,090	84.5	37,395	33.2	23,003	73.4	151.51

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 : 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 March 31, 2023	154,862,825 shares	As of March 31, 2022	154,862,825 shares
(ii) Number of treasury stocks at the end of the period	As of March 31, 2023	3,039,018 shares	As of March 31, 2022	2,740,712 shares
(iii) Average number of shares outstanding during the term	FY ended March 31, 2023	151,947,613 shares	FY ended March 31, 2022	152,124,031 shares

Note: 1. Please refer to “Per Share Information” on p.15 concerning the number of shares on which calculations of net profit per share (consolidated) are based.

2. A performance-linked compensation system (BBT, or Board Benefit Trust) was introduced in the second quarter of the fiscal year ending March 31, 2023. In the calculation of the number of treasury shares at the end of the period and the average number of shares outstanding during the term, the number of treasury shares held by Custody Bank of Japan, Ltd. (Trust Account) as assets in the Trust (The number of shares at the end of the period of 292,500 shares and the average number of shares outstanding during the term of 171,182 shares) are treated as treasury shares to be deducted.

(Reference)

1. Non-consolidated Financial Results for the Fiscal Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

Fiscal Year ended	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	256,344	18.4	949	—	13,436	141.2	11,961	120.9
March 31, 2022	216,433	(9.2)	(3,672)	—	5,571	18.5	5,415	106.5

Fiscal Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	78.72	—
March 31, 2022	35.60	—

(2) Financial Position

Fiscal Year ended	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	400,507	86,248	21.5	568.08
March 31, 2022	373,293	78,095	20.9	513.38

Note: Shareholders' Equity: March 31, 2023 86,248 million yen March 31, 2022 78,095 million yen

- * 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

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.

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1. Overview of Management Results and Related Matters

(1) Overview of Consolidated Management Results for the Fiscal Year ended March 31, 2023

In the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023), the business performance showed sales of 779,964 million yen (up 18.4% year-on-year), operating profit of 21,734 million yen (up 135.4% year-on-year), ordinary profit of 28,081 million yen (up 21.5% year-on-year), and profit attributable to owners of parent of 13,265 million yen (down 4.4% year-on-year).

The business environment in Japan remained harsh mainly due to the impact of COVID-19 infection and high prices on consumption, soaring raw material and energy prices due to the prolonged situation in Ukraine and the weak yen, changes in the environment for stable procurement of food materials, and tight labor supply and demand. However, as COVID-19 is coming to an end, there were some positive signs, such as a pickup in personal consumption.

Looking at overseas, despite of the lingering effects of the lockdown in China, the economy continued to pick up throughout the world post-COVID.

In light of the changing consumer behavior and values of customers in the restaurant business before and after the COVID-19, Zensho group has been operating to deliver safe and delicious food to customers sustainably as a “food infrastructure” by strengthening raw material procurement, product development and supply systems, and improving productivity through streamlining store operations utilizing digital technology.

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 109.5%, 131.0%, and 120.9% year-on-year, respectively.

At the end of March 2023, the number of stores was 10,283 (including 4,588 franchised stores), resulting from 444 store openings and 248 closures.

An overview of conditions by business segment is provided below.

1) Restaurant business

Sales of the Restaurant business in the fiscal year were 701,731 million yen (up 21.2% year-on-year), and the operating profit was 24,028 million yen (up 157.6% 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 fiscal year totaled 262,184 million yen (up 12.8% year-on-year).

Sukiya, a Gyudon chain, launched new products such as “Shredded Leek Gyudon ” (regular size: 580 yen), “Gyudon with Chili Garlic Sprout” (regular size: 550 yen), “Sukiyaki Style Gyudon” (regular size: 580 yen), and “Beef Stock & Pork Curry Rice w/ Char-Grilled Tender Chicken Leg” (regular size: 690 yen).

In addition, amid various cost increases, Sukiya implemented price revisions for some products on February 22, 2023, but kept the price of Gyudon (regular size), its main product, unchanged through corporate efforts.

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 March 2023 was 3,100 (including 7 franchised restaurants), as a result of 90 restaurant openings and 68 closures.

(Family Dining category)

Sales in the Family Dining category in the fiscal year were 117,224 million yen (up 30.7% 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 barbeque chain that offers carefully selected beef, Hanaya Yohei, a Japanese cuisine chain, and OLIVE HILL, an Italian cuisine specialty restaurant chain.

The number of restaurants in the Family Dining category at the end of March 2023 was 1,204 (including 78 franchised restaurants), as a result of 16 restaurant openings and 37 closures.

(Fast Food Service category)

Sales in the Fast Food Service category in the fiscal year were 192,614 million yen (up 27.8% 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 March 2023 was 1,012, as a result of 51 restaurant openings and 13 closures.

(Other category)

Sales in the Other category in the fiscal year were 129,707 million yen (up 22.3% 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 March 2023 was 4,835 (including 4,503 franchised stores), as a result of 286 store openings and 130 closures.

2) Retail Business

Sales in the Retail business in the fiscal year were 78,232 million yen (down 1.7% year-on-year), and the operating loss was 2,294 million yen (loss of 93 million yen in the previous year).

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 March 2023 stood at 132 as a result of 1 store opening.

(2) Overview of Financial Position for the Fiscal Year ended March 31, 2023

(Total Assets)

Total assets amounted to 469,563 million yen as of March 31, 2023, an increase of 42,390 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in cash and deposits, merchandise and finished goods, and property, plant and equipment.

(Liabilities)

Liabilities amounted to 353,726 million yen as of March 31, 2023, an increase of 31,039 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in interest-bearing liabilities and income taxes payable.

(Net Assets)

Net Assets came at 115,837 million yen as of March 31, 2023, an increase of 11,350 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) Overview of Cash Flows for the Fiscal Year ended March 31, 2023

	Amount (Million yen)
Beginning balance of cash and cash equivalents	42,414
Cash flow from operating activities	53,078
Cash flow from investing activities	(35,200)
Cash flow from financing activities	1,844
Ending balance of cash and cash equivalents	64,690
(reference) Free cash flow	17,877

At the end of the fiscal year ended March 31, 2023, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to 64,690 million yen, up 22,275 million yen from the beginning of the fiscal year. This was mainly due to an increase in profit.

(Cash flow from operating activities)

Cash flow from operating activities resulted in an increase in net cash of 53,078 million yen. This was mainly due to an increase in profit.

(Cash flow from investing activities)

Cash flow from investing activities resulted in a decrease in net cash of 35,200 million yen. This was mainly due to acquisition of property, plant and equipment in association with store openings.

(Cash flow from financing activities)

Cash flow from financing activities resulted in an increase in net cash of 1,844 million yen. This was mainly due to an increase in interest-bearing liabilities.

Note) Free cash flow is calculated using the following formula:

$$\text{Free cash flow} = \text{Cash flow from operating activities} + \text{Cash flow from investing activities}$$

(4) Future Outlook

The business environment remains uncertain due to the prolonged situation in Ukraine, anticipated fluctuations in energy and raw material costs associated with the recovery of economic activities in various countries, and concerns about the stable supply of food ingredients. On the other hand, in the domestic restaurant business, there are expectations of a recovery in consumer activity due to the easing of restrictions on behavior against COVID-19 infections and wage increases by companies.

In this environment, we are working to provide our customers with safe and delicious food in a sustainable manner as a "food infrastructure" and to offer products and services based on the changing consumer behavior and values of our customers. We will contribute to global stability and development by further strengthening our mass merchandising system (MMD) which provides integrated design and operation from food procurement to manufacturing, logistics, and store sales.

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 sheets

	(Million yen)	
	End of Previous fiscal year (As of March 31, 2022)	End of Current fiscal year (As of March 31, 2023)
Assets		
Current Assets		
Cash and deposits	42,414	64,690
Accounts receivable - trade	24,460	28,747
Merchandise and finished goods	27,528	29,635
Work in process	998	1,269
Raw materials and supplies	10,340	11,924
Other	26,865	21,892
Allowance for doubtful accounts	(168)	(166)
Total current assets	132,439	157,993
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	211,709	221,844
Accumulated depreciation	(126,051)	(131,704)
Buildings and structures, net	85,658	90,140
Machinery, equipment and vehicles	16,078	18,645
Accumulated depreciation	(9,686)	(10,843)
Machinery, equipment and vehicles, net	6,392	7,802
Tools, furniture and fixtures	78,432	86,515
Accumulated depreciation	(55,331)	(60,271)
Tools, furniture and fixtures, net	23,100	26,244
Land	22,852	24,987
Leased assets	52,321	59,338
Accumulated depreciation	(22,235)	(27,305)
Leased assets, net	30,086	32,033
Construction in progress	573	604
Total property, plant and equipment	168,663	181,811
Intangible assets		
Trade mark right	45,569	49,359
Goodwill	13,106	11,652
Other	4,209	4,435
Total intangible assets	62,885	65,446
Investments and other assets		
Investment securities	1,883	2,168
Guarantee deposits	32,880	33,845
Long-term loans receivable	76	71
Long-term prepaid rent	15,625	13,900
Deferred tax assets	7,932	8,360
Other	4,738	5,948
Allowance for doubtful accounts	(14)	(51)
Total investments and other assets	63,121	64,244
Total non-current assets	294,671	311,502
Deferred assets		
Share issuance cost	8	—
Bond issuance cost	53	67
Total deferred assets	62	67
Total assets	427,172	469,563

(Million yen)

	End of Previous fiscal year (As of March 31, 2022)	End of Current fiscal year (As of March 31, 2023)
Liabilities		
Current Liabilities		
Accounts payable - trade	26,986	29,319
Short-term borrowings	459	7,600
Current portion of bonds payable	5,000	—
Current portion of long-term borrowings	24,380	16,163
Lease liabilities	9,264	9,542
Income taxes payable	8,785	3,970
Contract liabilities	643	732
Provision for bonuses	2,951	3,014
Other	31,277	40,450
Total current liabilities	109,749	110,792
Non-current liabilities		
Bonds payable	15,000	25,000
Long-term borrowings	151,659	168,433
Lease liabilities	24,294	26,137
Provision for share awards	—	157
Retirement benefit liability	707	681
Asset retirement obligations	4,286	4,411
Deferred tax liabilities	12,505	13,609
Other	4,483	4,502
Total non-current liabilities	212,937	242,933
Total liabilities	322,686	353,726
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus	24,823	23,809
Retained earnings	51,080	60,576
Treasury shares	(5,839)	(6,915)
Total shareholders' equity	97,060	104,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(72)	(58)
Deferred gains or losses on hedges	684	(1,081)
Remeasurements of defined benefit plans	18	58
Foreign currency translation adjustment	5,629	12,248
Total accumulated other comprehensive income	6,259	11,167
Non-controlling interests	1,165	203
Total net assets	104,486	115,837
Total liabilities and net assets	427,172	469,563

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

	(Million yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net Sales	658,503	779,964
Cost of Sales	310,879	365,093
Gross Profit	347,624	414,871
Selling, General and Administrative Expenses	338,391	393,137
Operating Profit	9,232	21,734
Non-operating income		
Interest income	519	477
Dividend income	5	4
Share of profit of entities accounted for using equity method	5	7
Foreign exchange gains	908	1,756
Subsidy income	15,053	6,779
Other	1,224	1,194
Total non-operating income	17,717	10,219
Non-operating expenses		
Interest expenses	2,677	2,849
Other	1,154	1,022
Total non-operating expenses	3,832	3,872
Ordinary profit	23,117	28,081
Extraordinary income		
Compensation income	424	443
Subsidy for cooperation income	24,593	—
Other	359	326
Total extraordinary income	25,377	770
Extraordinary losses		
Loss on retirement of non-current assets	3,139	2,702
Impairment losses	5,545	1,503
Loss on COVID-19 infection control measures	11,141	—
Other	2,387	1,156
Total extraordinary losses	22,215	5,363
Net Profit before income taxes	26,280	23,488
Income taxes - current	12,371	9,589
Income taxes - deferred	15	620
Total income taxes	12,387	10,209
Profit	13,893	13,278
Profit (loss) attributable to non-controlling interests	23	12
Profit attributable to owners of parent	13,869	13,265

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net Profit	13,893	13,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	14
Deferred gains or losses on hedges	253	(1,766)
Remeasurements of defined benefit plans	29	39
Foreign currency translation adjustment	7,879	6,587
Share of other comprehensive income of entities accounted for using equity method	28	27
Total other comprehensive income	8,187	4,902
Comprehensive income	22,080	18,180
(Breakdown)		
Comprehensive income attributable to owners of parent	22,022	18,146
Comprehensive income attributable to non- controlling interests	58	34

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total Shareholders' Equity
Beginning balance	26,996	24,818	41,230	(5,827)	87,216
Changes during period					
Dividends of surplus			(3,194)		(3,194)
Profit attributable to owners of parent			13,869		13,869
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		0		2	2
Change in scope of consolidation			(825)		(825)
Purchase of shares of consolidated subsidiaries		5			5
Net changes in items other than shareholders' equity					
Total changes during period	—	5	9,849	(11)	9,844
Ending balance	26,996	24,823	51,080	(5,839)	97,060

	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	(69)	431	(11)	(2,244)	(1,893)	107	85,430
Changes during period							
Dividends of surplus							(3,194)
Profit attributable to owners of parent							13,869
Purchase of treasury shares							(13)
Disposal of treasury shares							2
Change in scope of consolidation							(825)
Purchase of shares of consolidated subsidiaries							5
Net changes in items other than shareholders' equity	(3)	253	29	7,873	8,153	1,058	9,211
Total changes during period	(3)	253	29	7,873	8,153	1,058	19,055
Ending balance	(72)	684	18	5,629	6,259	1,165	104,486

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total Shareholders' Equity
Beginning balance	26,996	24,823	51,080	(5,839)	97,060
Changes during period					
Dividends of surplus			(3,495)		(3,495)
Profit attributable to owners of parent			13,265		13,265
Purchase of treasury shares				(1,077)	(1,077)
Disposal of treasury shares		0		0	0
Change in scope of consolidation			(273)		(273)
Purchase of shares of consolidated subsidiaries		(1,014)			(1,014)
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,014)	9,496	(1,076)	7,405
Ending balance	26,996	23,809	60,576	(6,915)	104,466

	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	(72)	684	18	5,629	6,259	1,165	104,486
Changes during period							
Dividends of surplus							(3,495)
Profit attributable to owners of parent							13,265
Purchase of treasury shares							(1,077)
Disposal of treasury shares							0
Change in scope of consolidation							(273)
Purchase of shares of consolidated subsidiaries							(1,014)
Net changes in items other than shareholders' equity	14	(1,766)	39	6,619	4,907	(962)	3,944
Total changes during period	14	(1,766)	39	6,619	4,907	(962)	11,350
Ending balance	(58)	(1,081)	58	12,248	11,167	203	115,837

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	26,280	23,488
Depreciation	28,337	30,436
Impairment losses	5,545	1,504
Amortization of goodwill	1,546	1,583
Increase (decrease) in provision for bonuses	706	57
Increase (decrease) in provision for share awards	—	157
Interest and dividends income	(525)	(482)
Interest expenses	2,677	2,849
Loss on retirement of property, plant and equipment	2,577	2,290
Decrease (increase) in trade receivables	(706)	(3,472)
Decrease (increase) in inventories	(12,723)	(3,280)
Increase (decrease) in trade receivables	1,163	1,689
Subsidy for cooperation income	(24,593)	—
Increase (decrease) in accrued consumption taxes	(6,236)	6,355
Decrease (increase) in other current assets	(4,898)	4,302
Decrease (increase) in other non-current assets	2,591	2,302
Increase (decrease) in other current liabilities	(27)	3,524
Increase (decrease) in other non-current liabilities	1,107	(205)
Other, net	(508)	(122)
Subtotal	22,315	72,978
Interest and dividends received	301	268
Interest paid	(2,653)	(2,841)
Income taxes paid	(4,780)	(18,498)
Subsidy for cooperation received	30,247	1,171
Net cash provided by (used in) operating activities	45,430	53,078
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,513)	(30,983)
Proceeds from sales of property, plant and equipment	855	17
Purchase of intangible assets	(1,263)	(1,517)
Purchase of long-term prepaid expenses	(387)	(421)
Purchase of long-term investment securities	(1,092)	(522)
Loan advances	(1,129)	(0)
Payments of leasehold and guarantee deposits	(1,021)	(2,008)
Proceeds from refund of leasehold and guarantee deposits	1,488	1,052
Purchase of long term prepaid rents	(1,089)	(597)
Other, net	(395)	(218)
Net cash provided by (used in) investing activities	(31,550)	(35,200)

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(922)	7,187
Proceeds from long-term borrowings	43,264	32,219
Repayments of long-term borrowings	(36,250)	(24,590)
Repayments of lease liabilities	(9,603)	(11,296)
Purchase of treasury shares	(13)	(1,077)
Proceeds from sale of treasury shares	2	0
Proceeds from issuance of bonds	14,945	9,960
Redemption of bonds	(20,600)	(5,000)
Proceeds from share issuance to non-controlling shareholders	385	43
Dividends paid	(3,193)	(3,483)
Dividends paid to non-controlling interests	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(2,106)
Other, net	—	(10)
Net cash provided by (used in) financing activities	(11,986)	1,844
Effect of exchange rate change on cash and cash equivalents	2,415	2,191
Net increase (decrease) in cash and cash equivalents	4,308	21,913
Beginning balance of cash and cash equivalents	37,643	42,414
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	461	362
Ending balance of cash and cash equivalents	42,414	64,690

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Additional Information)

(Board Benefit Trust (BBT))

The Company introduced a performance-linked compensation system (BBT, or Board Benefit Trust) based on a resolution at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 for the Directors and Executive Officers (excluding Outside Directors, hereinafter, “the Directors, etc.”).

(1) Overview of the deal

The System is a performance-linked stock compensation system under which the Company’s shares will be acquired through a trust with cash contributed by the Company as the source of funds, and the Company’s shares and cash equivalent to the amount obtained by converting the Company’s shares at fair value will be paid to Directors, etc., in accordance with the Executive Stock Benefit Regulations established by the Company. In principle, the time when Directors, etc., receive the Company’s Shares, etc., will be after their retirement from office.

(2) Treasury shares remaining in the trust

Treasury shares remaining in the trust are recorded as treasury shares of the net assets at an carrying amount of the trust (excluding incidental expenses). Carrying amount and number of shares of such treasury shares are 1,056 million yen and 292 thousand shares, respectively, as at the end of the fiscal year.

(3) Carrying amount of borrowings recorded using gross method

Not applicable.

(Revision of the retirement benefit plan)

The Board of Directors resolved at a meeting held on March 15, 2023 that certain consolidated subsidiaries will shift from a defined benefit pension plan to a defined contribution pension plan effective April 1, 2023.

Regarding the accounting treatment of this transition, the Company plans to apply the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (ASBJ PITF No. 2, February 7, 2007).

The impact of this transition on the financial position and operating results are currently being evaluated, and it is expected to record an extraordinary income of 186 million yen in the following fiscal year as a result of the transition.

(Segment Information)

1. Overview of reporting segments

For the Company's 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.

Zensho Group operates food businesses in various fields, categorizes "restaurant business" and "retail business" as main reporting segments, and 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, liabilities, 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.

The Company 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, 2021 to March 31, 2022)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	578,928	79,575	658,503	—	658,503
Intersegment Sales or Transfers	2,755	176	2,932	(2,932)	—
Total	581,684	79,752	661,436	(2,932)	658,503
Segment Profit	9,326	(93)	9,233	(0)	9,232
Other Items					
Depreciation	27,164	1,239	28,404	(67)	28,337
Amortization of goodwill	1,100	445	1,546	—	1,546

(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 13,106 million yen.

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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	701,731	78,232	779,964	—	779,964
Intersegment Sales or Transfers	3,671	473	4,145	(4,145)	—
Total	705,403	78,706	784,110	(4,145)	779,964
Segment Profit	24,028	(2,294)	21,733	0	21,734
Other Items					
Depreciation	29,120	1,316	30,436	—	30,436
Amortization of goodwill	1,138	445	1,583	—	1,583

- (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 11,652 million yen.
4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

(Per Share Information)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	679.19 yen	761.63 yen
Net profit per share	91.17 yen	87.30 yen

- (Note) 1. Diluted net profit per share is not shown because there are no latent shares.
2. In the calculation of net assets per share, the Company shares held by Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the “Board Benefit Trust (BBT)” are included in the number of treasury shares deducted from the number of shares issued and outstanding at the end of the fiscal year, while in the calculation of net income per share, those are included in the number of treasury shares deducted from the average number of shares outstanding during the period. The number of such treasury shares at the end of the fiscal year deducted in the calculation of net assets per share is 292,500 shares for the current fiscal year, and the average number of such treasury shares during the period deducted in the calculation of net income per share is 171,182 shares for the current fiscal year.
3. Net profit per share is calculated on the following bases:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net profit attributable to owners of parent (Million yen)	13,869	13,265
Amount not attributable to ordinary shareholders (Million yen)	—	—
Net profit attributable to owners of parent relating to common stocks (Million yen)	13,869	13,265
Average number of shares during the period (Shares)	152,124,031	151,947,613

(Material Subsequent events)

(Business combination through acquisition)

Zensho Fast Holdings, Co., Ltd., a wholly owned subsidiary of Zensho Holdings Co., Ltd., concluded a share transfer agreement with Lotte Holdings Co., Ltd. at the Board of Directors meeting held on February 16, 2023 to acquire all the shares of Lotteria Co., Ltd., and acquired all shares on April 1, 2023.

1. Details of the Business combination

(1) Name and main business of the acquired company

Name of the acquired company	Main business
Lotteria Co., Ltd.	Manufacture and sale of food products, operation of restaurants and grocery stores, and food service business through franchise system

(2) Main reason for the business combination

Based on the corporate philosophy of “eradicating hunger and poverty from the world”, Zensho group has developed a wide range of food businesses in Japan and overseas while building a mass merchandising system.

Lotteria Co., Ltd. is one of Japanese leading fast food chain stores with 358 stores nationwide (as of January 1, 2023), offering high quality products and services, and the decision to acquire the shares was made based on the judgment that the synergy effects with Zensho group’s food procurement, logistics, store operation and other functions will contribute to the future business expansion and development of Lotteria Co., Ltd.

(3) Date of the business combination

April 1, 2023

(4) Legal form of the business combination

Acquisition of shares with cash consideration

(5) The acquired company’s name after the business combination

The name of the company will not change subsequent to the business combination.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately prior to the business combination: - %

Percentage of voting rights acquired on the date of business combination: 100.0%

Percentage of voting rights after acquisition: 100.0%

(7) Main basis for determining the acquiring company

Zensho Fast Holdings, Co., Ltd.’s cash acquisition of shares

2. Acquisition cost of acquired business and breakdown by type of consideration

This information is not disclosed due to mutual agreement of the parties.

3. Details and amounts of main acquisition-related costs

Remuneration, commissions and other fees for advisors: 82 million yen

4. Amount, reason for recognition, and method and period of amortization of goodwill

Not determined at this time.

5. Amounts and major breakdowns of assets received and liabilities assumed on the date of the business combination

Not determined at this time.