

Note: This document is a translation of the Japanese language original for convenience purposes only, and in the event of any discrepancy, the Japanese language original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.



Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2024 (Japanese Accounting Standards)

November 10, 2023

Company Name: **Zensho Holdings Co., Ltd.** Stock Listings Tokyo Stock Exchange
 Code Number: 7550 URL <https://www.zensho.co.jp/>
 Representative: Mr. Kentaro Ogawa, Chairman of the Board and CEO
 Inquiries: Mr. Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division (TEL) +81-3-6833-1600
 Scheduled date for submission of quarterly securities report: November 10, 2023
 Scheduled date for payment of dividends: December 5, 2023
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the Cumulative Second Quarter (April 1, 2023 to September 30, 2023)

(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	%
Six months ended September 30, 2023	452,610	20.5	25,395	211.6	24,420	78.0	15,714	113.5
Six months ended September 30, 2022	375,724	18.5	8,150	(5.6)	13,720	5.0	7,358	14.4

Note: Comprehensive income Six months ended September 30, 2023 23,234 million yen (24.9 %)
 Six months ended September 30, 2022 18,608 million yen (152.2 %)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	103.63		—	
Six months ended September 30, 2022	48.39		—	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio	Net Assets per share
	Million yen		Million yen		%	Yen
September 30, 2023	629,541		159,823		25.4	859.49
March 31, 2023	469,563		115,837		24.6	761.63

Note: Shareholders' Equity: September 30, 2023 159,615 million yen March 31, 2023 115,633 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, 2023	Yen -	Yen 12.00	Yen -	Yen 12.00	Yen 24.00
Fiscal Year ending March 31, 2024	-	25.00			
Fiscal Year ending March 31, 2024 (forecast)			-	25.00	50.00

Note: Revisions to dividend forecasts published recently: Yes

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)

	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	960,000	23.1	51,000	134.7	48,000	70.9	30,000	126.2	192.53

Note: Revisions to consolidated financial forecasts published recently: Yes

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 accounting procedures in 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 : Yes
- (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 September 30, 2023	154,862,825 shares	As of March 31, 2023	154,862,825 shares
(ii) Number of treasury stocks at the end of the period	As of September 30, 2023	4,067,741 shares	As of March 31, 2023	3,039,018 shares
(iii) Average number of shares outstanding during the term (quarter cumulative)	Six months ended September 30, 2023	151,553,137 shares	Six months ended September 30, 2022	152,069,771 shares

Note: A performance-linked compensation system (BBT, or Board Benefit Trust) has been introduced. The number of treasury stocks at the end of the period includes treasury shares held by Custody Bank of Japan, Ltd. (Trust Account) as assets in the Trust (as of September 30, 2023: 291,800 shares; as of March 31, 2023: 292,500 shares). In the calculation of the average number of shares outstanding during the term, treasury shares held by the Trust Account are treated as treasury shares to be deducted (six months ended September 30, 2023: 292,239 shares; six months ended September 30, 2022: 50,528 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 forecast business performance (Notes on forecast 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 Second Quarter Ended September 30, 2023	2
(1) Details of Consolidated Financial Results	2
(2) Details of Consolidated Financial Position	3
(3) Information on 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) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes on Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumptions)	11
(Notes on Case Where Shareholders' Equity Underwent Significant Changes in Value)	11
(Changes in Accounting Policies)	11
(Additional Information)	11
(Segment Information)	12
(Business Combinations)	14

1. Qualitative Information on Results for the Cumulative Second Quarter Ended September 30, 2023

From the first quarter ended June 30, 2023, Zensho Holdings Co., Ltd. (the “Company”) abolished its previous segments of Restaurant business and Retail business while changing to the six reporting segments of Global Sukiya, Global Hamasushi, Global Fast Food, Restaurants, Retail, and Corporate and Support. As a result, comparisons and analyses for the six months ended September 30, 2023, are based on the reporting segments after this change.

(1) Details of Consolidated Financial Results

In the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023), consolidated business performance was net sales of 452,610 million yen (up 20.5% year-on-year), operating profit of 25,395 million yen (up 211.6% year-on-year), ordinary profit of 24,420 million yen (up 78.0% year-on-year), and profit attributable to owners of parent of 15,714 million yen (up 113.5% year-on-year).

The business environment surrounding the Company continued to be uncertain, affected by factors including raw material and energy prices remaining high due to the prolonged situation in Ukraine. Meanwhile, the lifting of movement restrictions in place due to COVID-19 led to a normalization of economic activity, with foot traffic and personal consumption showing signs of recovery.

In the restaurant industry as well, demand remained high as use by families and groups increased.

Under these circumstances, year-on-year same-store sales in each reporting segment were: up 18.1% in Global Sukiya, up 10.2% in Global Hamasushi, up 14.1% in Global Fast Food, up 26.4% in Restaurants, and down 0.4% in Retail.

As of the end of the second quarter ended September 30, 2023, the number of stores was 14,740 (including 7,599 franchised stores), the result of 283 store openings and 117 closures.

An overview of conditions by business segment is provided below. Additionally, references to net sales are net sales to external customers.

(Global Sukiya)

Net sales of Global Sukiya during the six months ended September 30, 2023, were 131,731 million yen (up 21.7% year-on-year) with operating profit of 10,133 million yen (up 365.2% year-on-year).

Sukiya has locations in Japan, China, Southeast Asia, and Central and South America, providing its mainstay Gyudon to families and groups with safety, good flavor, and reasonable pricing.

At domestic Sukiya, the Company provided “Gyudon with Cod Caviar Mayo & Cheese,” “Sukiyaki Style Gyudon with Raw Egg,” and “Gyudon with Green Onion, Salty Garlic Sauce & Lemon,” among others, and at Sukiya in China, menu items included “Canola Flower Gyudon” and “Mala Spice Green Bean Gyudon.”

Additionally, the number of stores in this reporting segment as of the end of the second quarter ended September 30, 2023, was 2,623 (1,945 domestic, 678 overseas), the result of 50 store openings and 40 closures.

(Global Hamasushi)

Net sales of Global Hamasushi during the six months ended September 30, 2023, were 93,832 million yen (up 17.3% year-on-year) with operating profit of 4,910 million yen (up 19.1% year-on-year).

Hamasushi has locations mainly in Japan and China, providing menu items such as sushi, prepared with fresh seafood, alongside side menu items including noodles, desserts, and drinks. These foods are enjoyed by everyone, from children to adults.

Additionally, the number of stores in this reporting segment as of the end of the second quarter ended September 30, 2023, was 637 (588 domestic, 49 overseas), the result of 25 store openings and 1 closure.

(Global Fast Food)

Net sales of Global Fast Food during the six months ended September 30, 2023, were 99,458 million yen (up 30.4% year-on-year) with operating profit of 5,011 million yen (up 22.1% year-on-year).

Nakau mainly provides oyakodon rice bowl dishes and Kyoto-style udon noodles, with product offerings that can compete with specialty restaurants. Also domestically, the Company has restaurants such as Lotteria, a hamburger restaurant chain that joined the Group on April 1, 2023, Katsuan, a tonkatsu specialty restaurant, and Kyubeiya, which serves Musashino-style udon noodles. This reporting segment also includes overseas companies such as Advanced Fresh Concepts Corp., which provides sushi takeout, Sushi Circle Gastronomie GmbH, which joined the Group on May 23, 2023, and TCRS Restaurants Sdn. Bhd., a halal-certified chicken rice specialty restaurant.

Additionally, the number of stores in this reporting segment as of the end of the second quarter ended September 30, 2023, including SnowFox Topco Limited, which joined the Group on September 15, 2023, was 10,130 (1,001 domestic, 9,129 overseas; including 7,521 franchises), the result of 190 store openings and 56 closures.

(Restaurants)

Net sales of Restaurants during the six months ended September 30, 2023, were 68,917 million yen (up 25.6% year-on-year) with operating profit of 3,266 million yen (operating loss of 1,127 million yen in the six months ended September 30, 2022).

Coco's, a standard restaurant chain, has made efforts to improve its business performance by enhancing product competitiveness through active introduction of fair menus with a focus on seasonality, pursuing authentic taste rivaling specialty restaurants, and improving the standard of services to enable to customers enjoy meals with satisfaction. This reporting segment also includes Jolly-Pasta, a pasta specialty restaurant chain, Big Boy, a chain of hamburger steak and steak restaurants, Jukusei Yakiniku Ichiban, a barbecue chain that offers carefully selected beef, OLIVE HILL, an Italian cuisine specialty restaurant chain, and Hanaya Yohei, a Japanese cuisine chain.

Additionally, the number of stores in this reporting segment as of the end of the second quarter ended September 30, 2023, was 1,200 (1,199 domestic, 1 overseas; including 78 franchises), the result of 15 store openings and 19 closures.

(Retail)

Net sales of Retail during the six months ended September 30, 2023, were 39,191 million yen (up 1.6% year-on-year) with an operating loss of 798 million yen (operating loss of 1,442 million yen in the six months ended September 30, 2022). The operating loss contracted as a result of revisions to management structures and suppliers.

This reporting segment includes Maruya and Joy Foods, supermarkets with locations primarily in the North Kanto area, and United Veggies Co., Ltd. which operates fruit and vegetables stores.

Additionally, the number of stores in this reporting segment as of the end of the second quarter ended September 30, 2023, was 133, the result of 2 store openings and 1 closure.

(Corporate and Support)

Net sales of Corporate and Support during the six months ended September 30, 2023, were 2,125 million yen (up 10.1% year-on-year) with operating profit of 2,967 million yen (up 793.8% year-on-year).

This reporting segment includes GFF, which manufactures and processes food, Global Fresh Supply Co., Ltd. which handles logistics functions, and Global Table Supply Co., Ltd. which procures uniforms, equipment, etc.

(Others)

Net sales of Others during the six months ended September 30, 2023, were 17,354 million yen (up 9.0% year-on-year) with an operating loss of 76 million yen (operating loss of 111 million yen in the six months ended September 30, 2022).

This segment includes Tolona Japan Co., Ltd., which sells frozen foods for home use, etc., Sanbishi Co., Ltd., which manufactures and sells soy sauce and dressing, etc., Kagayaki Co., Ltd., which operates the nursing business, and Zensho Rice Co., Ltd., which sells unpolished and polished rice.

(2) Details of Consolidated Financial Position

1) Assets, liabilities, and net assets

(Assets)

Assets amounted to 629,541 million yen as of the end of the second quarter ended September 30, 2023, an increase of 159,977 million yen compared with the previous fiscal year-end. This was mainly due to increases in property, plant and equipment and intangible assets.

(Liabilities)

Liabilities amounted to 469,718 million yen as of the end of the second quarter ended September 30, 2023, an increase of 115,991 million yen compared with the previous fiscal year-end. This was mainly due to an increase in interest-bearing liabilities.

(Net Assets)

Net Assets amounted to 159,823 million yen as of the end of the second quarter ended September 30, 2023, an increase of 43,986 million yen compared with the previous fiscal year-end. This was mainly due to increases in capital surplus and retained earnings, despite a decrease resulting from the acquisition of treasury shares.

2) Cash flows

(Cash flows from operating activities)

Cash flows from operating activities resulted in an increase in funds of 44,296 million yen (an increase in funds of 26,148 million yen in the same period of previous year). This was mainly due to increases in profit before income taxes and depreciation.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a decrease in funds of 81,447 million yen (a decrease in funds of 17,523 million yen in the same period of previous year). This was mainly due to an increase in property, plant and equipment for new store openings and refurbishments, and purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Cash flows from financing activities resulted in an increase in funds of 25,340 million yen (a decrease in funds of 3,914 million yen in the same period of previous year). This was mainly due to an increase in long-term borrowings, issuance of shares, and purchase of treasury shares.

As a result of the above, cash and cash equivalents decreased by 9,480 million yen from the previous fiscal year-end and totaled 55,209 million yen as of the end of the second quarter ended September 30, 2023.

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

For the consolidated business performance forecasts for the fiscal year ending March 31, 2024, please refer to the Notice of Differences between Consolidated Business Performance Forecast and Actual Results for the Six Months Ended September 30, 2023, Revision to Full-Year Consolidated Business Performance Forecast for the Fiscal Year Ending March 31, 2024, Dividends of Surplus, and Revision to Year-End Dividend Forecast announced on November 10, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of Previous fiscal year (As of March 31, 2023)	End of 2Q, Current fiscal year (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	64,690	55,209
Accounts receivable - trade	28,747	41,610
Merchandise and finished goods	4,740	4,874
Work in process	1,269	2,423
Raw materials and supplies	36,819	42,209
Other	21,892	24,978
Allowance for doubtful accounts	(166)	(191)
Total current assets	157,993	171,114
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	221,844	245,746
Accumulated depreciation	(131,704)	(145,311)
Buildings and structures, net	90,140	100,435
Machinery, equipment and vehicles	18,645	23,310
Accumulated depreciation	(10,843)	(13,088)
Machinery, equipment and vehicles, net	7,802	10,221
Other	171,445	206,342
Accumulated depreciation	(87,576)	(99,690)
Other, net	83,868	106,651
Total property, plant and equipment	181,811	217,309
Intangible assets		
Trademark right	49,359	54,845
Goodwill	11,652	110,766
Other	4,435	5,034
Total intangible assets	65,446	170,646
Investments and other assets		
Investment securities	2,168	1,734
Guarantee deposits	33,845	37,646
Other	28,281	30,475
Allowance for doubtful accounts	(51)	(104)
Total investments and other assets	64,244	69,752
Total non-current assets	311,502	457,708
Deferred assets	67	717
Total assets	469,563	629,541

(Million yen)

	End of Previous fiscal year (As of March 31, 2023)	End of 2Q, Current fiscal year (As of September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	29,319	39,699
Short-term borrowings	7,600	4,904
Current portion of long-term borrowings	16,163	25,163
Income taxes payable	3,970	9,711
Contract liabilities	732	1,073
Provisions	3,014	4,086
Other	49,993	65,396
Total current liabilities	110,792	150,036
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term borrowings	168,433	226,948
Provisions	157	293
Retirement benefit liability	681	265
Asset retirement obligations	4,411	6,601
Other	44,249	60,573
Total non-current liabilities	242,933	319,681
Total liabilities	353,726	469,718
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus	23,809	53,611
Retained earnings	60,576	74,260
Treasury shares	(6,915)	(13,709)
Total shareholders' equity	104,466	141,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(58)	14
Deferred gains or losses on hedges	(1,081)	42
Remeasurements of defined benefit plans	58	-
Foreign currency translation adjustment	12,248	18,400
Total accumulated other comprehensive income	11,167	18,457
Non-controlling interests	203	207
Total net assets	115,837	159,823
Total liabilities and net assets	469,563	629,541

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Six months ended September 30)

(Million yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	375,724	452,610
Cost of sales	177,793	206,312
Gross profit	197,931	246,297
Selling, general and administrative expenses	189,781	220,902
Operating profit	8,150	25,395
Non-operating income		
Interest income	181	353
Dividend income	1	1
Foreign exchange gains	102	232
Share of profit of entities accounted for using equity method	6	6
Subsidy income	6,648	215
Other	557	378
Total non-operating income	7,498	1,187
Non-operating expenses		
Interest expenses	1,363	1,613
Other	564	548
Total non-operating expenses	1,928	2,161
Ordinary profit	13,720	24,420
Extraordinary income		
Gain on termination of retirement benefit plan	—	179
Other	231	134
Total extraordinary income	231	314
Extraordinary losses		
Loss on retirement of non-current assets	910	776
Other	822	458
Total extraordinary losses	1,733	1,234
Profit before income taxes	12,218	23,500
Income taxes - current	4,723	8,948
Income taxes - deferred	125	(1,161)
Total income taxes	4,848	7,786
Profit	7,370	15,713
Profit (loss) attributable to non-controlling interests	11	(1)
Profit attributable to owners of parent	7,358	15,714

(Quarterly Consolidated Statements of Comprehensive Income)

(Six months ended September 30)

(Million yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Profit	7,370	15,713
Other comprehensive income		
Valuation difference on available-for-sale securities	6	72
Deferred gains or losses on hedges	(67)	1,123
Remeasurements of defined benefit plans	3	(58)
Foreign currency translation adjustment	11,239	6,342
Share of other comprehensive income of entities accounted for using equity method	55	40
Total other comprehensive income	11,238	7,521
Comprehensive income	18,608	23,234
(Breakdown)		
Comprehensive income attributable to owners of parent	18,576	23,229
Comprehensive income attributable to non-controlling interests	32	4

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	12,218	23,500
Depreciation	14,778	16,358
Amortization of goodwill	790	960
Increase (decrease) in provision for bonuses	10	740
Increase (decrease) in provision for share awards	53	135
Interest and dividends income	(183)	(355)
Interest expenses	1,363	1,613
Loss on retirement of property, plant and equipment	997	776
Decrease (increase) in trade receivables	(841)	(3,151)
Decrease (increase) in inventories	(3,743)	(1,725)
Increase (decrease) in trade receivables	623	4,003
Increase (decrease) in accrued consumption taxes	3,851	1,749
Decrease (increase) in other current assets	3,223	(2,526)
Decrease (increase) in other non-current assets	1,172	1,053
Increase (decrease) in other current liabilities	2,136	3,517
Increase (decrease) in other non-current liabilities	(64)	350
Other, net	(372)	(764)
Subtotal	36,015	46,237
Interest and dividends received	83	251
Interest paid	(1,367)	(1,584)
Income taxes refund (paid)	(9,754)	(607)
Subsidy for cooperation received	1,171	—
Net cash provided by (used in) operating activities	26,148	44,296
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,356)	(18,523)
Proceeds from sales of property, plant and equipment	13	12
Purchase of intangible assets	(603)	(952)
Purchase of long-term prepaid expenses	(312)	(238)
Purchase of long-term investment securities	(400)	(467)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(58,194)
Payments of leasehold and guarantee deposits	(1,013)	(979)
Proceeds from refund of leasehold and guarantee deposits	597	604
Purchase of long term prepaid rents	(348)	(374)
Other, net	(98)	(2,333)
Net cash provided by (used in) investing activities	(17,523)	(81,447)

(Million yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(99)	(3,815)
Proceeds from long-term borrowings	12,028	107,383
Repayments of long-term borrowings	(15,864)	(93,004)
Proceeds from issuance of bonds	9,960	—
Repayments of lease liabilities	(5,453)	(6,040)
Proceeds from issuance of shares	—	29,318
Purchase of treasury shares	(1,069)	(6,796)
Dividends paid	(1,671)	(1,831)
Dividends paid to non-controlling interests	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,736)	—
Other, net	(6)	127
Net cash provided by (used in) financing activities	(3,914)	25,340
Effect of exchange rate change on cash and cash equivalents	2,892	1,834
Net increase (decrease) in cash and cash equivalents	7,603	(9,975)
Beginning balance of cash and cash equivalents	42,414	64,690
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	362	494
Ending balance of cash and cash equivalents	50,379	55,209

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Case Where Shareholders' Equity Underwent Significant Changes in Value)

Based on the resolution at the Board of Directors meeting held on July 18, 2023, the Company issued 300 class A preferred shares via third-party allotment on September 29, 2023. The amounts equal to the increase in share capital and legal capital surplus resulting from the payment completed on the same date were transferred to other capital surplus. As a result, capital surplus increased by 30,000 million yen during the six months ended September 30, 2023 and totaled 53,611 million yen as of the end of the second quarter ended September 30, 2023.

Based on the resolution of the Board of Directors meeting held on August 10, 2023, the Company acquired 1,027,400 treasury shares through an off-floor purchase transaction on August 14, 2023. As a result, treasury shares increased by 6,784 million yen during the six months ended September 30, 2023 and totaled 13,709 million yen as of the end of the second quarter ended September 30, 2023.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan ("ASBJ") Standard No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") from the beginning of the first quarter ended June 30, 2023.

Previously, calculated amounts of current income taxes on earnings, etc. ("Corporate Taxes, etc.") were recorded in profit or loss in accordance with laws and regulations. Moving forward, Corporate Taxes, etc., on earnings will be recorded in profit or loss, shareholders' equity, or other comprehensive income according to the transaction, etc., from which it occurred. Concerning Corporate Taxes, etc., recorded in accumulated other comprehensive income, when a transaction, etc., is recorded in profit or loss that is the reason for said Corporate Taxes, etc., to be applied, the corresponding amount of tax will be recorded in profit or loss. Additionally, if the transaction, etc., subject to taxation is related to shareholders' equity or other comprehensive income in addition to profit or loss, and it is difficult to calculate the amount of Corporate Taxes, etc., to be applied to shareholders' equity or other comprehensive income, the amount of such taxes will be recorded in profit or loss.

Revisions to categories for recording Corporate Taxes, etc. (taxation on other comprehensive income) conform to the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022. The amount of cumulative effect on the initial fiscal year of application if retrospectively applying the new accounting policy prior to the beginning of the initial fiscal year of application is added or subtracted to retained earnings at the beginning of the initial fiscal year of application, with the corresponding amount added or subtracted to accumulated other comprehensive income.

As a result, for the six months ended September 30, 2023, "income taxes - current" increased by 644 million yen, "profit attributable to owners of parent" decreased by the same amount, and "foreign currency translation adjustment" in other comprehensive income increased by the same amount. Additionally, for the second quarter ended September 30, 2023, the beginning balance of "retained earnings" increased by 233 million yen, and the beginning balance of "foreign currency translation adjustment" in other comprehensive income decreased by the same amount.

Furthermore, the Company has applied the revised "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) from the beginning of the first quarter ended June 30, 2023, but this has no effect on the consolidated financial statements.

(Additional Information)

(Board Benefit Trust (BBT))

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

(1) Overview of the transaction

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 the Directors, etc., in accordance with the Executive Stock Benefit Regulations established by the Company. In principle, the time when the 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 in net assets at the carrying amount of the trust (excluding incidental expenses). The carrying amount and number of shares of such treasury shares are 1,056 million yen and 292 thousand shares, respectively, as of the end of the fiscal year ended March 31, 2023, and 1,054 million yen and 291 thousand shares, respectively, as of the end of the second quarter ended September 30, 2023.

- (3) Carrying amount of borrowings recorded using gross method
Not applicable.

(Segment Information)

[Segment Information]

I Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)

1. Information on net sales, profit or loss by reporting segment

(Million yen)

	Reporting segment							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Quarterly Consolidated Statements of Income (Note 3)
	Global Sukiya	Global Hamasushi	Global Fast Food	Restaurants	Retail	Corporate and Support	Total				
Net sales											
Net sales to external customers	108,198	79,977	76,261	54,871	38,558	1,930	359,797	15,927	375,724	—	375,724
Intersegment sales or transfers (Note 4)	163	0	12	58	259	147,846	148,340	4,402	152,743	(152,743)	—
Total	108,361	79,977	76,274	54,929	38,818	149,776	508,138	20,330	528,468	(152,743)	375,724
Segment profit (loss)	2,178	4,123	4,105	(1,127)	(1,442)	332	8,169	(111)	8,057	92	8,150

- (Note) 1. The “Other” category is a business segment not included in the reporting segments, and includes the Manufacturing and wholesaling business for external sales, Nursing care business, and Livestock and fisheries business.
2. The adjustment of 92 million yen to segment profit (loss) primarily consists of intersegment sales or transfers and inventory adjustments.
3. The total amount of segment profit (loss) is adjusted with the operating profit in the quarterly consolidated statements of income.
4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2. Information by reporting segment on impairment loss or goodwill on non-current assets
(Significant impairment loss on non-current assets)
Not applicable.

(Significant change in goodwill)
Not applicable.

(Significant profit on negative goodwill)
Not applicable.

II Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information on net sales, profit or loss by reporting segment

(Million yen)

	Reporting segment							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on Quarterly Consolidated Statements of Income (Note 3)
	Global Sukiya	Global Hamasushi	Global Fast Food	Restaurants	Retail	Corporate and Support	Total				
Net sales											
Net sales to external customers	131,731	93,832	99,458	68,917	39,191	2,125	435,256	17,354	452,610	—	452,610
Intersegment sales or transfers (Note 4)	140	0	9	77	239	172,538	173,006	5,599	178,606	(178,606)	—
Total	131,872	93,832	99,468	68,994	39,430	174,663	608,262	22,953	631,216	(178,606)	452,610
Segment profit (loss)	10,133	4,910	5,011	3,266	(798)	2,967	25,489	(76)	25,413	(17)	25,395

(Note) 1. The “Other” category is a business segment not included in the reporting segments, and includes the Manufacturing and wholesaling business for external sales, Nursing care business, and Livestock and fisheries business.

2. The adjustment of (17) million yen to segment profit (loss) primarily consists of intersegment sales or transfers and inventory adjustments.

3. The total amount of segment profit (loss) is adjusted with the operating profit in the quarterly consolidated statements of income.

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

2. Information by reporting segment on impairment loss or goodwill on non-current assets

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in goodwill)

Owing to the acquisition of shares in Lotteria Co., Ltd. and Sushi Circle Gastronomie GmbH and making these companies subsidiaries during the first quarter ended June 30, 2023, goodwill increased by 3,007 million yen and 6,922 million yen, respectively, in the Global Fast Food segment.

Owing to the acquisition of shares in 23 companies, including SnowFox Topco Limited, and making these companies subsidiaries during the second quarter ended September 30, 2023, goodwill increased by 89,561 million yen in the Global Fast Food segment.

(Significant profit on negative goodwill)

Not applicable.

3. Matters concerning changes to reporting segments, etc.

In line with revising financial results management categories and management reporting structures to those that more closely align with the actual state of the business, the Company has changed its reporting segments from the two segments of Restaurant business and Retail business to the six segments of Global Sukiya, Global Hamasushi, Global Fast Food, Restaurants, Retail, and Corporate and Support from the first quarter ended June 30, 2023.

Additionally, segment information provided for the six months ended September 30, 2022, is based on the segments subsequent to this change.

(Business combinations)

(Business combination through acquisition (SnowFox Topco Limited))

At the Board of Directors meeting held on June 13, 2023, ZENSHO INTERNATIONAL LIMITED, a wholly owned subsidiary of Zensho Holdings Co., Ltd., concluded a share transfer agreement to acquire all shares of SnowFox Topco Limited, and acquired all shares on September 15, 2023.

1. Details of Business combination

(1) Name and main business of acquired company

Name of acquired company	Main business
SnowFox Topco Limited*	The holding company of operating companies engaged in sushi takeout stores, as well as sushi manufacturing and wholesale, primarily in North America and the U.K.

* It is a holding company with subsidiaries, including Taiko Foods Limited, Bento Inc., Bento Sushi Franchise Ltd., YO! Sushi UK Limited, JFE Franchising Inc., JK 959 Global, Inc., Bento Nouveau Inc., and Bento Sushi Franchise Inc.

(2) Main reason for business combination

With a responsibility for the stability and development of human society and based on the corporate philosophy of eradicating hunger and poverty from the world, the Zensho group has developed a wide range of food businesses globally with a mission to provide safe and delicious food to people worldwide at affordable prices. The Group will continue to strive to become the world's leading force in the food industry, while pursuing group synergies and expanding its operations.

SnowFox operates approximately 3,000 sushi takeout stores and engages in sushi manufacturing and wholesale through its subsidiaries primarily in North America and the U.K.

It was judged that this acquisition of shares can be expected to facilitate the incorporation of SnowFox's network into the Group, produce synergy effects with the Group in various areas such as menu development, food procurement, logistics, store operation, and store location development, and contribute to further expansion of operations. This will further reinforce the Group's growth potential in its overseas businesses.

(3) Date of business combination

September 15, 2023 (deemed acquisition date: September 30, 2023)

(4) Legal form of business combination

Acquisition of shares with cash consideration

(5) Acquired company's name after 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 acquiring company

ZENSHO INTERNATIONAL LIMITED's cash acquisition of shares

2. Period of financial results of acquired company included in quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period

As the deemed acquisition date is September 30, 2023, only the quarterly consolidated balance sheets have been consolidated, and financial results of the acquired company are not included in the quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period.

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

Consideration for the acquisition: Cash amounting to 48,108 million yen

Acquisition cost: 48,108 million yen

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

(1) Amount of goodwill recognized

89,561 million yen

Additionally, the amount of goodwill calculated is an estimate, as the distribution of the acquisition cost has not yet

been completed as of the end of the second quarter ended September 30, 2023.

(2) Reason for recognition

Recognized based on future excess earnings capacity projected from future business expansion.

(3) Method and period of amortization

Straight-line amortization during the period that demonstrates occurrence.