

## Financial Results (Consolidated) for Second Quarter of Fiscal Year Ending March 2014 (Japanese Accounting Standards)

November 12, 2013

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE  
 Code no.: 7550 URL <http://www.zensho.co.jp/>  
 Representative: (title) Chairman of the Board and CEO (name) Kentaro Ogawa  
 (title) Senior General Manager of  
 Address any inquiries to: Group Finance and Accounting (name) Tetsuro Fukumoto (tel.) 03 (6833) 1600  
 Division  
 Starting date of dividend payment (planned): December 3, 2013  
 Date of submission of quarterly report (planned): November 12, 2013  
 Supplemental explanatory materials on consolidated financial results prepared?  Y /  N  
 Investors meeting held on settlement of accounts?  Y /  N

(Figures rounded down to the nearest million yen)

### 1. Consolidated financial performance in the second quarter of the fiscal year ending March 2014 (April 1 – September 30, 2013)

#### (1) Consolidated business performance (cumulative) (Percentages [%] indicate year-on-year changes)

	Sales		Operating profit		Ordinary profit		Quarterly net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q2, FY 2014	227,649	10.7	4,342	(51.3)	4,123	(49.4)	404	(87.3)
Q2, FY 2013	205,618	3.7	8,917	(31.2)	8,146	(31.3)	3,176	(13.6)

Note: Comprehensive income: Q2, FY 2014: 849 million yen (down 75.0%); Q2, FY 2013: 3,393 million yen (down 23.5%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q2, FY 2014	3.34	—
Q2, FY 2013	26.23	—

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q2, FY 2014	255,704	55,094	16.4	346.68
FY 2013	258,509	55,218	16.5	351.83

Reference: Equity capital: Q2, FY 2014: 41,975 million yen; FY 2013: 42,599 million yen

### 2. Dividend position

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2013	—	8.00	—	8.00	16.00
FY2014	—	8.00			
FY 2014 (forecast)			—	8.00	16.00

Note: Change in most recently announced dividend forecasts? Y /  N

### 3. Consolidated business performance forecasts for FY 2014 (April 1, 2013 – March 31, 2014)

(Percentages [%] indicate changes from the previous year.)

	Sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	454,406	8.8	8,327	(43.5)	7,454	(46.3)	571	(88.7)	4.72

Note: Change in most recently announced business performance forecasts? Y /  N

Notes

(1) Important changes in subsidiaries (changes in specified subsidiaries resulting in change in scope of consolidation) during the cumulative period through the second quarter of this consolidated fiscal year: Y /  N

New: \_\_\_\_\_ company(ies); name: \_\_\_\_\_ Removed: \_\_\_\_\_ company(ies); name: \_\_\_\_\_

(2) Special accounting policies applied in preparation of the quarterly consolidated financial results? Y /  N

(3) Changes in accounting policies, changes in accounting estimates and restatement

(i) Changes in accounting policies resulting in revisions of accounting standards: Y /  N

(ii) Other changes in accounting policies: Y /  N

(iii) Change in accounting estimates: Y /  N

(iv) Restatement Y /  N

(4) Shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding (including treasury stock) at the end of the period

Q2, FY 2014	121,100,000	shares	FY 2013	121,100,000	shares
Q2, FY 2014	23,629	shares	FY 2013	23,497	shares
Q2, FY 2014	121,076,416	shares	Q2, FY 2013	121,076,663	shares

(ii) Number of shares of treasury stock at the end of the period

(iii) Average number of shares during the fiscal year (quarter cumulative)

Notes on quarterly review procedures

These quarterly financial results are not subject to the procedures for the review of quarterly reports under the Financial Instruments and Exchange Act. Procedures for the review of quarterly reports had been completed before these Financial Results were released.

Notes on appropriate use of forecasts of business performance and other notes

(Notes on forward-looking statements, etc.)

The forecast figures indicated above are projections based on information available at the time they were prepared. The Company makes no guarantees regarding the realization of these forecast figures. Actual business performance and other results may differ from the forecast figures indicated above. See p. 3 of the Appendix for information on the above forecast figures.

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## 1. Qualitative Information on Quarterly Consolidated Business Performance, etc.

### (1) Qualitative information on quarterly consolidated business performance

During the first and second quarters of this consolidated fiscal year (April 1 – September 30, 2013), although some positive economic trends such as rising share prices due to economic measures and financial measures conducted by the new administration were observed, there is still no sign of increasing personal disposable income, and the economy of Japan has not reached the full-scale recovery of consumer spending. There is also a concern that real income may decrease due to consumption tax increase. Thus, economic uncertainty still prevails.

In the restaurant industry, the business environment is still stringent as the food price stays high and energy costs increase.

Under these circumstances, the sales of existing stores in the Gyudon category such as Sukiya, the Family Dining category such as Coco's and Jolly-pasta and the Fast Food Service category such as Hamasushi were 93.6% year-on-year, 99.8% year-on-year, and 100.1% year-on-year, respectively. The profit decreased as compared with last year due to transition of food prices in high price range, increase in electricity prices, etc. At the end of the second quarter of this consolidated fiscal year, the Group's number of stores stood at 4,722 locations. Events contributing to this figure included the opening of 114 restaurants and the closing of 33 restaurants.

Our company specializes in the single segment, the food business, which is composed of restaurant and retail businesses.

#### ① Restaurant business

The sales of the restaurant business in the cumulative period through the second quarter of this consolidated fiscal year were 214,080 million yen (up 5.9% year-on-year), and operating profit was 5,131 million yen (down 42.2% year-on-year).

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

#### **Gyudon category**

With the opening of 67 restaurants and the closing of 14 restaurants, the number of restaurants in the Gyudon category at the end of the second quarter of this consolidated fiscal year totaled at 2,518. This figure includes 1,957 outlets in the Sukiya chain operated by Zensho Co., Ltd. and 480 outlets (including 24 franchised outlets) operated by Nakau Co., Ltd.

In addition to opening new locations and strengthening brand power through advertising, public relations and other activities, Sukiya, a gyudon chain operated by Zensho Co., Ltd., strengthened its product lineup by adding new products such as Yakisoba Gyudon (regular size: 390 yen), Okonomi Gyutama bowl (regular size: 390 yen) and Delicious pork curry (regular size: 450 yen) and seasonal products such as eel bowl (regular size: 780 yen). In addition, Sukiya has been seeking to strengthen quality controls and improve its service to allow customers to continue to enjoy safe and delicious products with peace of mind.

Nakau, a Japanese-style gyudon and Kyoto-style udon noodle chain operated by Nakau Co., Ltd., sought to improve business performance by undertaking various sales promotions while strengthening the power of its products by introducing new and seasonal products and improving existing products.

Due to these efforts, sales in the Gyudon category in the cumulative period through the second quarter of this consolidated fiscal year totaled 90,181 million yen (down 1.3% year-on-year).

#### **Family Dining category**

With the opening of 2 restaurants, the closing of 16 restaurants and some conversions to other business types within the Group, the number of restaurant locations in the Family Dining category stood at 1,530 outlets at the end of the second quarter of this consolidated fiscal year.

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., sought to strengthen business performance through increasing lineup of the menu, adding special fair menus, and enhancing service standards of the restaurants.

The Big Boy chain of hamburger steak, grill restaurants and other restaurants operated by Big Boy Japan Inc. sought to improve business performance in various ways, such as improving its main products, enhancing salad bar and soup bar, and adding fair menus.

Jolly Pasta restaurants, the chain that serves boiled spaghetti and handmade pizza, operated by Jolly-Pasta Co., Ltd., sought to make their menus even more delicious by improving their pasta sauces and introducing full-featured seasonal menus. We have pursued the chain's identity as a pasta specialist, under the slogan "When you want pasta, it's Jolly Pasta".

To increase customer satisfaction, Hanaya Yohei, the Japanese-cuisine restaurant chain operated by Hanaya Yohei Co., Ltd. targeted various improvements, including improving service by strengthening training of in-

store employees; improving labor productivity; and developing safe and delicious products which customers can enjoy with peace of mind.

Due to these efforts, sales in the Family Dining category in the cumulative period through the second quarter of this consolidated fiscal year totaled 75,459 million yen. (up 1.2% year-on-year)

#### **Fast Food Service category**

With the opening of 43 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the second quarter of this consolidated fiscal year stood at 580.

“Hamasushi”, kaiten-zushi restaurants (sushi restaurants with revolving tables) operated by Hamazushi Co., Ltd., sought to expand their businesses by increasing the number of restaurants, enhancing quality of products and strengthening services at the restaurants.

Due to these efforts, sales in the Fast Food Service category in the cumulative period through the second quarter of this consolidated fiscal year totaled 39,321 million yen (up 37.2% year-on-year).

#### **Other category**

Net sales in the Other category in the cumulative period through the second quarter of this consolidated fiscal year totaled 9,118 million yen (up 21.3% year-on-year).

Main businesses in this category include Tolona Japan Co., Ltd., which produces and sells pizzas; Sanbishi Co., Ltd., which brews soy sauce; Global Fresh Supply Co., Ltd., a company which handles logistics functions for the Zensho Group; and Global Table Supply Co., Ltd., which procures supplies, uniforms and other equipments.

#### ② Retail business

The retail business of our company is operated by the two companies: Maruya Co., Ltd., which operates the supermarket business, and United Veggies Co., Inc., which sells fruits and vegetables.

The retail business is undergoing a structural reform. Its sales in the cumulative period through the second quarter of this consolidated fiscal year were 13,568 million yen and operating loss was 789 million yen.

As a result of the above, consolidated business performance in the cumulative period through the second quarter of this consolidated fiscal year showed sales of 227,649 million yen (up 10.7% year-on-year), operating profit of 4,342 million yen (down 51.3% year-on-year), ordinary profit of 4,123 million yen (down 49.4% year-on-year) and quarterly net profit of 404 million yen (down 87.3% year-on-year).

### (2) Qualitative information on consolidated financial position

#### ① Assets, liabilities and net assets

At the end of the second quarter of this consolidated fiscal year, the Group's assets decreased by 2,805 billion yen from the end of the previous consolidated fiscal year, mainly due to the liquidation of construction assistance fund receivables, etc.

Liabilities decreased by 2,680 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease in accrued consumption taxes.

Net assets decreased by 124 million yen from the end of the previous consolidated fiscal year, mainly due to payment of dividends which led to a decrease in retained earnings.

#### ② Cash flows

Cash and cash equivalents (“funds” hereinafter) totaled 16,438 million yen at the end of the second quarter of this consolidated fiscal year. This was due to cash inflows, including net income before taxes and other adjustments and depreciation, along with cash outflows resulting from expenditures on opening new restaurants, debt repayment, payment of interest and payment of corporate and other taxes as well as dividends. (Cash flow from operating activities)

Cash flow from operating activities resulted in an increase in funds of 10,036 million yen. This was mainly due to net income before taxes and other adjustments and depreciation.

(Cash flow from investing activities)

Cash flow from investing activities resulted in a decrease in funds of 11,511 million yen. This was mainly due to expenditures on acquisition of tangible fixed assets to open new restaurants and on purchase of stock in affiliates.

(Cash flow from financing activities)

Cash flow from financing activities resulted in a decrease in funds of 1,200 million yen. This was mainly due to expenditures on payment of dividends.

(3) Qualitative information on forecasts of consolidated business performance

As stated in the “Notification concerning Revision of Business Performance Forecasts” dated on November 1, 2013, the forecast of business performance for the cumulative period through the second quarter of this consolidated fiscal year (April 1, 2013 to September 30, 2013) and the forecast of business performance for the full fiscal year ending March 2014 (April 1, 2013 to March 31, 2014), which were announced on May 14, 2013, were revised because the business performance would be below the expected levels.

2. Notes on Summary Information (Notes)

(1) Important changes in subsidiaries during the cumulative period through the second quarter of this consolidated fiscal year

None

(2) Special accounting policies applied in preparation of the quarterly consolidated financial statements

None

(3) Changes in accounting policies, changes in accounting estimates and restatement

None

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Second quarter of this consolidated fiscal year (September 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	18,657	16,438
Notes and accounts receivable – trade	4,748	4,337
Merchandise and products	10,012	10,418
In-process inventories	510	565
Raw materials and supplies	2,492	2,740
Other receivables	13,403	10,826
Allowance for doubtful accounts	(10)	(10)
Total current assets	49,816	45,316
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	160,366	163,860
Accumulated depreciation	(82,418)	(84,530)
Buildings and structures (net)	77,947	79,330
Machinery and vehicles	12,583	13,817
Accumulated depreciation	(6,040)	(6,486)
Machinery and vehicles (net)	6,542	7,331
Other	74,069	77,630
Accumulated depreciation	(34,087)	(36,338)
Other (net)	39,981	41,292
Total property, plant, and equipment	124,471	127,953
Intangible assets		
Goodwill	12,399	12,751
Other	5,054	6,017
Total intangible assets	17,453	18,769
Investments and other assets		
Investment securities	4,276	3,181
Guarantee deposits	32,921	33,047
Other	29,398	27,304
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	66,574	63,511
Total noncurrent assets	208,498	210,234
Deferred assets	194	152
Total assets	258,509	255,704

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Second quarter of this consolidated fiscal year (September 30, 2013)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	13,281	12,166
Short-term loans payable	1,876	7,244
Current portion of bonds	5,990	5,990
Current portion of long-term loans payable	38,270	34,560
Accrued income taxes	3,280	2,846
Reserves	1,466	1,405
Other	33,005	30,028
Total current liabilities	97,170	94,241
Noncurrent liabilities		
Corporate bonds	19,583	16,590
Long-term loans payable	72,522	75,748
Reserves	582	572
Asset retirement obligations	1,609	1,656
Other	11,822	11,800
Total noncurrent liabilities	106,120	106,368
Total liabilities	203,291	200,610
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,089	10,089
Capital surplus	10,642	10,642
Retained earnings	25,812	25,067
Treasury stock	(20)	(20)
Total shareholders' equity	46,524	45,778
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(698)	(705)
Deferred hedging gains/losses	(149)	(245)
Foreign currency translation adjustments	(3,076)	(2,852)
Total accumulated other comprehensive income	(3,924)	(3,803)
Non-controlling interests	12,619	13,118
Total net assets	55,218	55,094
<b>Total liabilities and net assets</b>	<b>258,509</b>	<b>255,704</b>



(2) Quarterly consolidated statement of profit and loss and consolidated statement of comprehensive income  
(Quarterly consolidated statement of profit and loss)  
(Cumulative period through the second quarter of this consolidated fiscal year)

(Units: Millions of yen)

	Cumulative period through the second quarter of the previous consolidated fiscal year (April 1 – September 30, 2012)	Cumulative period through the second quarter of this consolidated fiscal year (April 1 – September 30, 2013)
Sales	205,618	227,649
Cost of sales	74,603	90,395
Gross profit	131,015	137,253
Sales and general administrative expenses	122,097	132,911
Operating profit	8,917	4,342
Non-operating income		
Interest income	178	197
Dividend income	84	53
Lease income	171	157
Foreign exchange gains	—	285
Other	374	390
Total non-operating income	809	1,084
Non-operating expenses		
Interest expenses	1,052	923
Lease expenses	172	136
Other	355	243
Total non-operating expenses	1,580	1,302
Ordinary profit	8,146	4,123
Extraordinary income		
Gains on sale of noncurrent assets	0	84
Gain on sales of investment securities	—	119
Other	12	7
Total extraordinary income	12	211
Extraordinary losses		
Loss on retirement of noncurrent assets	213	325
Impairment loss	130	—
Other	186	273
Total extraordinary losses	530	599
Net profit before income taxes	7,628	3,735
Corporate, residence and enterprise taxes	3,632	2,871
Income taxes – deferred	168	106
Total corporate taxes	3,801	2,978
Net profit before non-controlling interests	3,827	757
Non-controlling interests in income	650	353
Net profit	3,176	404

(Quarterly consolidated statement of comprehensive income)

(Cumulative period through the second quarter of this consolidated fiscal year)

(Units: Millions of yen)

	Cumulative period through the second quarter of the previous consolidated fiscal year (April 1 – September 30, 2012)	Cumulative period through the second quarter of this consolidated fiscal year (April 1 – September 30, 2013)
Net profit before non-controlling interests	3,827	757
Other comprehensive income		
Valuation difference on available-for-sale securities	(228)	(26)
Deferred hedging gains/losses	131	(96)
Foreign currency translation adjustments	(336)	214
Total other comprehensive income	(434)	91
Comprehensive income	3,393	849
(Breakdown)		
Comprehensive income attributable to parent company owners	2,749	525
Comprehensive income attributable to non-controlling interests	643	324

## (3) Quarterly consolidated statement of cash flows

(Units: Millions of yen)

	Cumulative period through the second quarter of the previous consolidated fiscal year (April 1 – September 30, 2012)	Cumulative period through the second quarter of this consolidated fiscal year (April 1 – September 30, 2013)
Cash flows from operating activities		
Net profit before taxes and other adjustments	7,628	3,735
Depreciation	8,249	9,109
Impairment loss	130	—
Amortization of goodwill	463	480
Amortization of negative goodwill	(1)	(1)
Increase (decrease) in allowance for doubtful accounts	4	(9)
Increase (decrease) in allowance for bonuses	113	(61)
Increase (decrease) in allowance for retirement	(8)	(10)
Interest and dividends received	(263)	(251)
Interest expense	1,052	923
Foreign exchange losses (gains)	105	(245)
Loss (gain) on sale of investment securities	—	(119)
Loss (gain) on sale of property, plant and equipment	26	(55)
Loss on retirement of property, plant and equipment	207	326
Other extraordinary losses (gains)	12	24
Other non-operating losses (gains)	(14)	(19)
Decrease (increase) in accounts receivable – trade	530	733
Decrease (increase) in inventories	(1,322)	(264)
Increase (decrease) in accounts payable – trade	(757)	(1,432)
Increase (decrease) in accrued consumption taxes	110	209
Decrease (increase) in other current assets	(1,233)	1,394
Decrease (increase) in other noncurrent assets	402	352
Increase (decrease) in other current liabilities	(898)	(673)
Increase (decrease) in other noncurrent liabilities	90	264
Subtotal	14,631	14,409
Interest and dividends received	26	71
Interest paid	(903)	(905)
Income taxes paid	(6,492)	(3,538)
Cash flows from operating activities	7,261	10,036

(Units: Millions of yen)

	Cumulative period through the second quarter of the previous consolidated fiscal year (April 1 – September 30, 2012)	Cumulative period through the second quarter of this consolidated fiscal year (April 1 – September 30, 2013)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,852)	(10,241)
Proceeds from sale of property, plant and equipment	84	106
Purchase of intangible assets	(246)	(194)
Proceeds from sale of intangible assets	2	40
Purchase of long-term prepaid expenses	(138)	(94)
Purchase of investment securities	(7)	(20)
Proceeds from sale of investment securities	—	372
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(370)	(2,612)
Payments of loans receivable	(104)	(1)
Collection of loans receivable	2	2
Payments for guarantee deposits	(949)	(682)
Proceeds from collection of guarantee deposits	261	354
Decrease (increase) in insurance funds	(2)	(2)
Decrease (increase) in lease repayments	(71)	(70)
Expenditures on long-term prepaid rents	(1,526)	(1,429)
Proceeds from fluidity of long-term prepaid rents	—	2,975
Other	(76)	(12)
Cash flows from investing activities	(10,995)	(11,511)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(903)	5,271
Net increase (decrease) in short-term bonds payable	7,000	—
Proceeds from long-term loans payable	17,000	20,000
Repayment of long-term loans payable	(24,806)	(20,488)
Proceeds from issuance of bonds	9,000	7,000
Redemption of bonds	(1,595)	(9,995)
Repayment of lease obligations	(1,475)	(1,894)
Purchase of treasury stock	—	(0)
Purchase of treasury stock in consolidated subsidiaries	—	(0)
Repayment of installment payables	(35)	(8)
Payment of dividends	(967)	(968)
Dividends paid to minority shareholders	(99)	(116)
Other	0	—
Cash flows from financing activities	3,117	(1,200)
Effect of exchange rate changes on cash and cash equivalents	40	148
Increase (decrease) in cash and cash equivalents	(575)	(2,526)
Beginning balance of cash and cash equivalents	18,580	18,657
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	307
Ending balance of cash and cash equivalents	18,004	16,438

(4) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity (if any))

Not applicable

(Segment information)

[Segment information]

Cumulative period through the second quarter of the previous consolidated fiscal year (April 1 – September 30, 2012)

This information is omitted because the Group's only reporting segment is the food business.

Cumulative period through the second quarter of this consolidated fiscal year (April 1 – September 30, 2013)

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