



Financial Results (Consolidated) for First Quarter of Fiscal Year Ending March 2015 **(Japanese Accounting Standards)**

August 8, 2014

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE
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 Accounting Division
 Starting date of dividend payment (planned):
 Date of submission of quarterly report (planned): August 8, 2014
 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 first quarter of the fiscal year ending March 2015 (April 1 – June 30, 2014)

(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	%
Q1, FY 2015	120,145	9.9	(923)	–	(1,232)	–	(2,331)	–
Q1, FY 2014	109,302	10.6	1,619	(23.1)	1,720	(4.6)	66	(81.2)

Note: Comprehensive income: Q1, FY 2015: (2,172) million yen (– %); Q1, FY 2014: 565 million yen (up 586.9%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q1, FY 2015	(15.69)	–
Q1, FY 2014	0.55	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q1, FY 2015	297,868	77,815	21.9	438.20
FY 2014	293,192	81,291	23.4	462.23

Reference: Equity capital: Q1, FY 2015: 65,106 million yen; FY 2014: 68,676 million yen

2. Dividend position

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2014	–	8.00	–	8.00	16.00
FY2015	–	–	–	–	–
FY 2015 (forecast)	–	4.00	–	4.00	8.00

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

3. Consolidated business performance forecasts for FY 2015 (April 1, 2014 – March 31, 2015)

(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
Q2 (cumulative)	254,312	11.7	1,881	(56.7)	1,246	(69.8)	(1,962)	–	(13.21)
Full year	525,068	12.1	8,055	(1.0)	6,811	(14.4)	(1,370)	–	(9.22)

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 first 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) Changes in accounting estimates: Y / ☐ N

(iv) Restatement Y / ☐ N

Note: For details, please see the section “2. Notes on Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates, and restatement” on page 4 of the attached document.

- (4) Shares issued and outstanding (common stock)

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

Q1, FY 2015	148,600,000	shares	FY 2014	148,600,000	shares
Q1, FY 2015	23,681	shares	FY 2014	23,681	shares
Q1, FY 2015	148,576,319	shares	Q1, FY 2014	121,076,445	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 the information available at the time they were prepared. They include some degree of uncertainty. 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.

Appendix: Table of contents

1. Qualitative Information on Quarterly Consolidated Business Performance, etc.	2
(1) Qualitative information on quarterly consolidated business performance.....	2
(2) Qualitative information on consolidated financial position.....	3
(3) Qualitative information on forecasts of consolidated business performance.....	3
2. Notes on Summary Information (Notes).....	4
(1) Important changes in subsidiaries during the cumulative period through the first quarter of this consolidated fiscal year	4
(2) Special accounting policies applied in preparation of the quarterly consolidated financial statements.....	4
(3) Changes in accounting policies, changes in accounting estimates, and restatement	4
3. Quarterly Consolidated Financial Statements.....	5
(1) Quarterly consolidated balance sheet.....	5
(2) Quarterly consolidated statement of profit and loss and consolidated statement of comprehensive income	7
(3) Notes on consolidated financial statements	9
(Notes on going concern assumption).....	9
(Notes on significant changes in the amount of shareholders' equity (if any))	9
(Segment information)	9

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

(1) Qualitative information on quarterly consolidated business performance

During the cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2014), the Japanese economy recovered gently because fiscal and monetary policies by the Japanese government and the Bank of Japan led the improvement in corporate performances and, in consequence, capital investment increased and the income situations improved.

In the restaurant industry, ingredient prices and energy costs are rising, and it is anticipated that balance of labor supply and demand will worsen due to the economic boost. This indicates that the business environment remains stringent.

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 104.2% year-on-year, 101.0% year-on-year, and 102.3% year-on-year, respectively. The profit decreased as compared with last year mainly due to the temporary closing of the gyudon chain "Sukiya" and the increases in the prices of ingredients, including beef, and electricity charges.

At the end of the first quarter of this consolidated fiscal year, the Group's number of stores stood at 4,844 locations. Events contributing to this figure included the opening of 61 restaurants and the closing of 9 restaurants.

Consolidated business performance in the cumulative period through the first quarter of this consolidated fiscal year showed sales of 120,145 million yen (up 9.9% year-on-year), operating loss of 923 million yen (operating income of 1,619 million yen in the same period of the previous year), ordinary loss of 1,232 million yen (ordinary income of 1,720 million yen in the same period of the previous year), and net loss of 2,331 million yen (net income of 66 million yen in the same period of the previous year).

An overview of conditions by business segment is provided below.

① Restaurant business

The sales of the restaurant business in the cumulative period through the first quarter of this consolidated fiscal year were 109,191 million yen (up 6.6% year-on-year), and operating loss was 526 million yen (operating income of 2,032 million yen in the same period of the previous year).

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

Gyudon category

With the opening of 25 restaurants and the closing of 6 restaurants, the number of restaurants in the Gyudon category at the end of the first quarter of this consolidated fiscal year totaled at 2,569. This figure includes 1,995 outlets in the Sukiya chain operated by Zensho Co., Ltd. and 479 outlets (including 19 franchised outlets) operated by Nakau Co., Ltd.

Sukiya, a gyudon chain operated by Zensho Co., Ltd., strengthened its product lineup by adding seasonal products in May such as "eel bowl" (regular size: 740 yen plus tax) and "eel and beef bowl" (regular size: 830 yen plus tax). In addition, Sukiya has been seeking to strengthen quality controls to enjoy safe and delicious products in comfort.

As for the store operation of "Sukiya," we established 7 regional companies throughout Japan on June 2, 2014, to shift to community-based operation. With this system, we will develop a comfortable working environment for employees and crews, improve the service level of each store, and stabilize store operation.

Nakau, rice bowl dishes 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 first quarter of this consolidated fiscal year totaled 41,871 million yen (down 3.9% year-on-year).

Family Dining category

With the opening of 3 restaurants, the number of restaurant locations in the Family Dining category stood at 1,530 outlets at the end of the first 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 their main products, enhancing salad bar and soup bar, and adding fair menus.

Jolly Pasta, pasta specialty restaurant chain, operated by Jolly Pasta Co., Ltd., sought to make its 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 in comfort.

Due to these efforts, sales in the Family Dining category in the cumulative period through the first quarter of this consolidated fiscal year totaled 36,915 million yen. (up 1.1% year-on-year)

Fast Food Service category

With the opening of 33 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the first quarter of this consolidated fiscal year stood at 639 outlets.

“Hamasushi”, kaiten-sushi restaurants (sushi restaurants with conveying belts) 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 first quarter of this consolidated fiscal year totaled 23,971 million yen (up 28.5% year-on-year).

Other category

Net sales in the Other category in the cumulative period through the first quarter of this consolidated fiscal year totaled 6,433 million yen (up 75.2% year-on-year).

Main businesses in this category include Tolona Japan Co., Inc., 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

Net sales in retail business in the cumulative period through the first quarter of this consolidated fiscal year were 10,953 million yen (up 58.7% year-on-year) and operating loss was 413 million yen (operating loss of 410 million yen in the same period of the previous year).

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

(2) Qualitative information on consolidated financial position

At the end of the first quarter of this consolidated fiscal year, the Group's assets increased by 4,676 million yen from the end of the previous consolidated fiscal year, mainly due to the capital investment for stores.

Liabilities increased by 8,151 million yen from the end of the previous consolidated fiscal year, mainly due to new borrowing.

Net assets decreased by 3,475 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease in retained earnings.

(3) Qualitative information on forecasts of consolidated business performance

The earnings forecasts for the first half of the term ending Mar. 2015 (Apr. 1–Sep. 30, 2014) and the term ending Mar. 2015 (Apr. 1, 2014–Mar. 31, 2015) announced on May 14, 2014 have been revised, because actual results are estimated to be lower than the first forecasts, as written in “Notification regarding the revision to earnings forecasts and estimated dividends” dated Aug. 6, 2014.

2. Notes on Summary Information (Notes)

(1) Important changes in subsidiaries during the cumulative period through the first 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
Changes in accounting policies
(Application of the accounting standards for retirement benefits, etc.)

“Accounting Standards regarding Retirement Benefits” (Corporate Accounting Standards No. 26, May 17, 2012; hereinafter called “Accounting Standards for Retirement Benefits”) and “Guideline for Applying the Accounting Standards regarding Retirement Benefits” (Guideline for Applying Corporate Accounting Standards No. 25, May 17, 2012; hereinafter called “Guideline for Applying Retirement Benefits”) were applied from the first quarter of the current consolidated accounting period, regarding Section 35 of Accounting Standards for Retirement Benefits and Section 67 of Guideline for Applying Retirement Benefits, to revise the methods for calculating retirement benefit obligations and business expenses, and change discount rate determination methods from the one in which the period of bonds, which is the base for determining discount rate, is the years approximately equal to the average remaining employment period of employees, to the one in which a single weighted average discount rate, which takes into account the period until the scheduled payment date and the amount for each period, is used.

Accounting Standards for Retirement Benefits, etc. are applied in accordance with the provision for transitional handling set forth in Section 37 of Accounting Standards for Retirement Benefits.

These do not produce any effects on the retained earnings at the beginning of the first quarter of the current consolidated accounting period, the operating profit, ordinary profit, and net profit before income taxes for the first quarter of the consolidated accounting period. In addition, there are no effects on the information on each business segment.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

	(Units: Millions of yen)	
	Previous consolidated fiscal year (March 31, 2014)	First quarter of this consolidated fiscal year (June 30, 2014)
Assets		
Current assets		
Cash and deposits	44,313	43,402
Notes and accounts receivable – trade	4,765	4,505
Merchandise and products	13,138	14,867
In-process inventories	525	531
Raw materials and supplies	3,006	3,175
Other receivables	12,149	13,795
Allowance for doubtful accounts	(10)	(9)
Total current assets	77,888	80,268
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	167,667	169,040
Accumulated depreciation	(88,100)	(88,779)
Buildings and structures (net)	79,566	80,261
Machinery and vehicles	14,491	14,389
Accumulated depreciation	(7,158)	(7,303)
Machinery and vehicles (net)	7,332	7,086
Other	81,995	84,759
Accumulated depreciation	(39,043)	(39,881)
Other (net)	42,951	44,877
Total property, plant, and equipment	129,851	132,224
Intangible assets		
Goodwill	13,443	13,172
Other	6,276	6,079
Total intangible assets	19,720	19,252
Investments and other assets		
Investment securities	3,379	3,697
Guarantee deposits	33,503	33,434
Other	28,644	28,782
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	65,508	65,896
Total noncurrent assets	215,079	217,372
Deferred assets	223	226
Total assets	293,192	297,868

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2014)	First quarter of this consolidated fiscal year (June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	15,472	14,651
Short-term loans payable	6,113	13,092
Current portion of bonds	5,840	5,840
Current portion of long-term loans payable	34,521	35,206
Accrued income taxes	2,867	703
Reserves	1,288	677
Other	31,103	35,180
Total current liabilities	97,206	105,352
Noncurrent liabilities		
Corporate bonds	18,744	17,645
Long-term loans payable	81,857	82,812
Net defined benefit liability	580	566
Asset retirement obligations	1,769	1,761
Other	11,743	11,915
Total noncurrent liabilities	114,694	114,700
Total liabilities	211,901	220,052
Net assets		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,023	24,023
Retained earnings	24,796	21,249
Treasury stock	(20)	(20)
Total shareholders' equity	72,268	68,722
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(711)	(603)
Deferred hedging gains/losses	(254)	(313)
Remeasurements of defined benefit plans	28	28
Foreign currency translation adjustments	(2,655)	(2,727)
Total accumulated other comprehensive income	(3,592)	(3,615)
Non-controlling interests	12,614	12,709
Total net assets	81,291	77,815
Total liabilities and net assets	293,192	297,868

(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 first quarter of this consolidated fiscal year)

(Units: Millions of yen)

	Cumulative period through the first quarter of the previous consolidated fiscal year (April 1 – June 30, 2013)	Cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2014)
Sales	109,302	120,145
Cost of sales	42,763	51,161
Gross profit	66,538	68,983
Sales and general administrative expenses	64,919	69,906
Operating profit (loss)	1,619	(923)
Non-operating income		
Interest income	94	103
Dividend income	52	43
Lease income	82	90
Foreign exchange gains	330	—
Other	178	153
Total non-operating income	739	389
Non-operating expenses		
Interest expenses	454	398
Lease expenses	70	70
Foreign exchange losses	—	73
Other	113	157
Total non-operating expenses	638	699
Ordinary profit (loss)	1,720	(1,232)
Extraordinary income		
Gain on sales of investment securities	—	5
Gains on sale of noncurrent assets	5	6
Compensation	—	8
Penalty income	6	—
Other	0	0
Total extraordinary income	12	20
Extraordinary losses		
Loss on retirement of noncurrent assets	94	237
Impairment loss	—	248
Loss on closing of stores	—	262
Other	84	130
Total extraordinary losses	179	879
Net profit (loss) before income taxes	1,553	(2,091)
Corporate, residence and enterprise taxes	1,079	593
Income tax□s – deferred	285	(541)
Total corporate taxes	1,365	52
Net profit (loss) before non-controlling interests	188	(2,144)
Non-controlling interests in income	121	187
Net profit (loss)	66	(2,331)

(Quarterly consolidated statement of comprehensive income)

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

(Units: Millions of yen)

	Cumulative period through the first quarter of the previous consolidated fiscal year (April 1 – June 30, 2013)	Cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2014)
Net profit before non-controlling interests	188	(2,144)
Other comprehensive income		
Valuation difference on available-for-sale securities	46	106
Deferred hedging gains/losses	49	(58)
Remeasurements of defined benefit plans	—	(0)
Foreign currency translation adjustments	280	(76)
Total other comprehensive income	377	(28)
Comprehensive income	565	(2,172)
(Breakdown)		
Comprehensive income attributable to parent company owners	442	(2,354)
Comprehensive income attributable to non-controlling interests	122	181

(3) 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]

I. Cumulative period through the first quarter of the previous consolidated fiscal year (April 1 – June 30, 2013)

1. Information on sales, profits or losses, assets, liabilities, and other items for each segment

(Units: Millions of yen)

	Reportable segment		Total	Adjustment Amount*1	Consolidated balance sheet amount*2
	Restaurant business	Retail business			
Net Sales					
(1) Sales to external customers	102,399	6,903	109,302	—	109,302
(2) Intersegment sales or transferred amount	67	2	70	(70)	—
Total	102,466	6,905	109,372	(70)	109,302
Segment income (loss)	2,032	(410)	1,621	(2)	1,619

Note: 1. Adjustment amount of segment income (loss) of -¥2 million are mainly elimination of intersegment transactions

2. The total amount of segment income is adjusted with the operating income in the quarterly consolidated statement of profit and loss.

3. Intersegment sales or transferred amount are calculated based on current market price.

2. Reportable segment information concerning impairment losses or goodwill amortization

(Important impairment loss related to noncurrent assets)

Not applicable

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable

Cumulative period through the first quarter of this consolidated fiscal year (April 1 – June 30, 2014)

1. Information on sales, profits or losses, assets, liabilities, and other items for each segment

(Units: Millions of yen)

	Reportable segment		Total	Adjustment Amount*1	Consolidated balance sheet amount*2
	Restaurant business	Retail business			
Net Sales					
(1) Sales to external customers	109,191	10,953	120,145	—	120,145
(2) Intersegment sales or transferred amount	365	2	368	(368)	—
Total	109,557	10,956	120,514	(368)	120,145
Segment income (loss)	(526)	(413)	(939)	16	(923)

Note: 1. Adjustment amount of segment income (loss) of ¥16 million are mainly elimination of intersegment transactions

2. The total amount of segment income is adjusted with the operating income in the quarterly consolidated statement of profit and loss.

3. Intersegment sales or transferred amount are calculated based on current market price.

2. Items regarding the changes of business segments to be reported, etc.

In the previous consolidated fiscal year, our corporate group founded Nihon Retail Holdings Co., Ltd. and divided the segment “Food business” into “restaurant business” and “retail business,” as our corporate organization was modified for streamlining the retail business further.

The segment information for the first quarter of the previous consolidated fiscal year is based on the new segments.

3. Reportable segment information concerning impairment losses or goodwill amortization

(Important impairment loss related to noncurrent assets)

In the “restaurant business” segment, the impairment loss of store assets has been posted. The amount of the impairment loss for the first quarter of the current consolidated fiscal year is 248 million yen.

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable