

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

November 13, 2014

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE
 Code no.: 7550 URL <http://www.zensho.co.jp/>
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 (title) Board member and Senior
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 Accounting Division
 Starting date of dividend payment (planned):
 Date of submission of quarterly report (planned): November 13, 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 second quarter of the fiscal year ending March 2015 (April 1 – September 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 | % |
| Q2, FY 2015 | 251,587 | 10.5 | 1,172 | (73.0) | 1,070 | (74.0) | (2,231) | – |
| Q2, FY 2014 | 227,649 | 10.7 | 4,342 | (51.3) | 4,123 | (49.4) | 404 | (87.3) |

Note: Comprehensive income: Q2, FY 2015: (308) million yen (– %); Q2, FY 2014: 849 million yen (down 75.0%)

| | Quarterly net profit per share | Quarterly diluted net profit per share |
|-------------|--------------------------------|--|
| | yen | yen |
| Q2, FY 2015 | (15.02) | – |
| Q2, FY 2014 | 3.34 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|-------------|-----------------|-----------------|------------------------|----------------------|
| | Millions of yen | Millions of yen | % | yen |
| Q2, FY 2015 | 293,710 | 79,674 | 22.7 | 448.35 |
| FY 2014 | 293,192 | 81,291 | 23.4 | 462.23 |

Reference: Equity capital: Q2, FY 2015: 66,614 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 | – | 0.00 | | | |
| FY 2015 (forecast) | | | | 0.00 | 0.00 |

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 |
| Full year | 509,291 | 8.7 | (1,774) | – | (2,411) | – | (7,534) | – | (50.71) |

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 consolidated second quarter of this 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 5 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

| | | | | | |
|-------------|-------------|--------|---------|-------------|--------|
| Q2, FY 2015 | 148,600,000 | shares | FY 2014 | 148,600,000 | shares |
|-------------|-------------|--------|---------|-------------|--------|

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

| | | | | | |
|-------------|--------|--------|---------|--------|--------|
| Q2, FY 2015 | 23,731 | shares | FY 2014 | 23,681 | shares |
|-------------|--------|--------|---------|--------|--------|

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

| | | | | | |
|-------------|-------------|--------|-------------|-------------|--------|
| Q2, FY 2015 | 148,576,319 | shares | Q2, FY 2014 | 121,076,416 | shares |
|-------------|-------------|--------|-------------|-------------|--------|

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. 4 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 consolidated cumulative second quarter of this fiscal year (April 1 – September 30, 2014), the Japanese economy recovered gently because financial and economic policies by the Japanese government and the Bank of Japan led to an increase in capital investment and the improvement of employment situation. However, the consumption trend is still uncertain, as demand became sluggish in the wake of the consumption tax hike and real income declined due to the rise of prices.

In the restaurant industry, ingredient prices and energy costs are rising, and personnel expenses augmented, due to the worsening of the balance between labor supply and demand. 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 105.0% year-on-year, 100.1% year-on-year, and 104.4% 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 consolidated second quarter of this fiscal year, the Group's number of stores stood at 4,857 locations. Events contributing to this figure included the opening of 100 restaurants and the closing of 44 restaurants.

Consequently, the business performance in the consolidated cumulative second quarter of this fiscal year showed sales of 251,587 million yen (up 10.5% year-on-year), operating income of 1,172 million yen (down 73.0% year-on-year), ordinary income of 1,070 million yen (down 74.0% year-on-year), and net loss of 2,231 million yen (net income of 404 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 consolidated cumulative second quarter of this fiscal year were 228,336 million yen (up 6.7% year-on-year), and operating income was 2,033 million yen (down 60.5% year-on-year).

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

Gyudon category

With the opening of 42 restaurants and the closing of 31 restaurants, the number of restaurants in the Gyudon category at the end of the consolidated second quarter of this fiscal year totaled at 2,561. This figure includes 1,981 outlets in the Sukiya chain and 476 outlets (including 18 franchised outlets) in Nakau chain.

Sukiya, a gyudon chain operated by Sukiya Co., Ltd. (former Zensho Co., Ltd.)*, raised the price of the regular size of Gyudon from 250 yen plus tax (270 yen) to 270 yen plus tax (291 yen) on Aug. 27, as the price of the main ingredient beef skyrocketed globally. In addition, Sukiya strengthened its product lineup by adding "Tekka-don (rice bowl topped with sliced raw tuna)" (regular size: 550 yen plus tax), "Sumibi-tondon (rice bowl topped with char-grilled pork)" (regular size: 520 yen plus tax) and "Shiraganegi Gyudon (Gyudon with shredded leek)" (regular size: 410 yen plus tax), and also has been seeking to strengthen quality controls to provide safe and delicious products.

As for the store operation of "Sukiya," we established 7 regional companies throughout Japan to shift to community-based regime. In addition, we started operating with more than one employee in each store during late night hours for overnight restaurants on Oct. 1, 2014, to improve the working environment and the level of store services.

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 consolidated cumulative second quarter of this fiscal year totaled 88,556 million yen (down 1.8% year-on-year).

※ Zensho Co., Ltd. had been administrating restaurants of grilled beef, udon, ramen, cafes, etc. in addition to "Sukiya." However, these businesses excluding "Sukiya" were transferred to A-Dining Co., Ltd., which is a 100% subsidiary of Zensho Holdings Co., Ltd., through absorption-type company split on Oct. 1, 2014. In parallel with this transfer, Zensho Co., Ltd. was renamed "Sukiya Co., Ltd." to specialize in the "Sukiya" business both in name and reality under clear responsibilities, strengthen and grow businesses further.

Family Dining category

With the opening of 4 restaurants and the closing of 2 restaurants, the number of restaurant locations in the Family Dining category stood at 1,529 outlets at the end of the consolidated second quarter of this fiscal year. Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., sought to strengthen business performance through adding high-value-added fair menus which are tailored to customers' needs and enhancing service standards of the restaurants.

The Big Boy chain of hamburger steak and 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 enriching menus and introducing new dishes using seasonal ingredients. 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.

Due to these efforts, sales in the Family Dining category in the consolidated cumulative second quarter of this fiscal year totaled 75,688 million yen. (up 0.3% year-on-year)

Fast Food Service category

With the opening of 54 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the consolidated second quarter of this fiscal year stood at 659 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 consolidated cumulative second quarter of this fiscal year totaled 51,321 million yen (up 30.5% year-on-year).

Other category

Sales in the Other category in the consolidated cumulative second quarter of this fiscal year totaled 12,770 million yen (up 40.0% year-on-year).

Main businesses in this category include Tolona Japan Co., Inc., which produces and sells pizzas; Yamatomo Suisan-Shokuhin Co.,Ltd., which processes and sells marine products; Global Fresh Supply Co., Ltd., a company which handles logistics functions for the Zensho Group; and Global Table Supply Co., Ltd., which procures uniforms, equipments etc.

② Retail business

Sales in retail business in the consolidated cumulative second quarter of this fiscal year were 23,251 million yen (up 71.4% year-on-year) and operating loss was 899 million yen (operating loss of 802 million yen in the same period of the previous year).

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

(2) Information on consolidated financial position

① Assets, liabilities and net assets

At the end of the consolidated second quarter of this fiscal year, the assets increased by 517 million yen from the end of the previous consolidated fiscal year, mainly due to the capital investment for opening new stores.

Liabilities increased by 2,134 million yen from the end of the previous consolidated fiscal year, mainly due to the increase in accrued income taxes.

Net assets decreased by 1,616 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease in retained earnings.

② Cash flows

(Cash flow from operating activities)

Cash flow from operating activities resulted in an increase in funds of 6,573 million yen. This was mainly due to depreciation being recorded, although net loss before taxes and other adjustments was recorded and inventories increased.

(Cash flow from investing activities)

Cash flow from investing activities resulted in a decrease in funds of 11,727 million yen. This was mainly due to expenditures on acquisition of tangible fixed assets to open new stores and on purchase of stock in affiliates.

(Cash flow from financing activities)

Cash flow from financing activities resulted in a decrease in funds of 4,222 million yen. This was mainly due to an increase by opening new stores, decrease by repayment of existing loans and expenditures on payment of dividends.

As a result of the above, cash and cash equivalents decreased by 9,282 million yen from the end of previous fiscal year and totaled 35,030 million yen at the end of the consolidated second quarter of this fiscal year.

(3) Qualitative information on forecasts of consolidated business performance

The business forecasts for the first half of the term ending Mar. 2015 (Apr. 1–Sep. 30, 2014) and the fiscal year ending Mar. 2015 (Apr. 1, 2014–Mar. 31, 2015) announced on Aug. 6, 2014 have been revised, because actual results are estimated to be lower than the first forecasts, as written in “Notification on the revisions to business forecast, estimated dividends, and the posting of extraordinary loss” dated November 10, 2014.

Since our company established a rule for staffing with more than one worker at each “Sukiya” for late night hour on Oct. 1, 2014, the following risks have been added to the securities report for the 32nd term, “No. 24 [Business risks and other risks]” and the attachment to the summary of financial results for the term ended Mar. 2014, “1. Analysis for business performance and financial position (4) Business risks and other risks.”

⑮ Regarding the establishment of a rule for staffing with more than one worker for each late night shift

At the end of Apr. 2014, our company established a “third-party committee” with the purpose of improving the working environment of “Sukiya.” At the end of Jul., this committee submitted an investigative report, and proposed the establishment of a rule for staffing with more than one worker for each late night shift. Following this proposal, the stores that were not able to adopt the rule have been closed late at night since Oct. 1. For such stores, we have been making efforts to resume late night services by realizing the system for staffing with more than one worker as soon as possible, but in case we cannot secure necessary manpower and the resumption of late night services are delayed, this will probably produce adverse effects on the business performance and financial state of our company.

※ For the details of each risk, see “1. Analysis for business performance and financial position (4) Business risks and other risks” on pages 5 and 6 of the attachment to the summary of financial results for the term ended Mar. 2014. The summary of our financial results is available from the following URL.

(IR Library in our website/Summary of financial results)

<http://www.zensho.co.jp/jp/ir/library/brief/>

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2. Notes on Summary Information (Notes)

(1) Important transfers in subsidiaries during the consolidated cumulative second quarter of this 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 second quarter of the current consolidated accounting period, the operating profit, ordinary profit, and net profit before income taxes for the second 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) | Consolidated second quarter of this fiscal year (September 30, 2014) |
|---------------------------------------|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 44,313 | 35,030 |
| Notes and accounts receivable – trade | 4,765 | 4,682 |
| Merchandise and products | 13,138 | 16,575 |
| In-process inventories | 525 | 592 |
| Raw materials and supplies | 3,006 | 3,316 |
| Other receivables | 12,149 | 14,140 |
| Allowance for doubtful accounts | (10) | (9) |
| Total current assets | 77,888 | 74,327 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 167,667 | 173,234 |
| Accumulated depreciation | (88,100) | (91,805) |
| Buildings and structures (net) | 79,566 | 81,428 |
| Machinery and vehicles | 14,491 | 12,145 |
| Accumulated depreciation | (7,158) | (6,903) |
| Machinery and vehicles (net) | 7,332 | 5,242 |
| Other | 81,995 | 87,921 |
| Accumulated depreciation | (39,043) | (41,226) |
| Other (net) | 42,951 | 46,695 |
| Total property, plant, and equipment | 129,851 | 133,366 |
| Intangible assets | | |
| Goodwill | 13,443 | 14,929 |
| Other | 6,276 | 6,334 |
| Total intangible assets | 19,720 | 21,263 |
| Investments and other assets | | |
| Investment securities | 3,379 | 4,038 |
| Guarantee deposits | 33,503 | 33,666 |
| Other | 28,644 | 26,864 |
| Allowance for doubtful accounts | (18) | (18) |
| Total investments and other assets | 65,508 | 64,550 |
| Total noncurrent assets | 215,079 | 219,180 |
| Deferred assets | 223 | 201 |
| Total assets | 293,192 | 293,710 |

(Units: Millions of yen)

| | Previous consolidated fiscal year (March 31, 2014) | Consolidated second quarter of this fiscal year (September 30, 2014) |
|--|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 15,472 | 15,953 |
| Short-term loans payable | 6,113 | 450 |
| Current portion of bonds | 5,840 | 5,590 |
| Current portion of long-term loans payable | 34,521 | 36,630 |
| Accrued income taxes | 2,867 | 2,139 |
| Reserves | 1,288 | 1,428 |
| Other | 31,103 | 31,584 |
| Total current liabilities | 97,206 | 93,778 |
| Noncurrent liabilities | | |
| Corporate bonds | 18,744 | 16,000 |
| Long-term loans payable | 81,857 | 89,291 |
| Net defined benefit liability | 580 | 666 |
| Asset retirement obligations | 1,769 | 1,801 |
| Other | 11,743 | 12,497 |
| Total noncurrent liabilities | 114,694 | 120,257 |
| Total liabilities | 211,901 | 214,035 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 23,470 | 23,470 |
| Capital surplus | 24,023 | 24,023 |
| Retained earnings | 24,796 | 21,343 |
| Treasury stock | (20) | (20) |
| Total shareholders' equity | 72,268 | 68,816 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gains on securities | (711) | (317) |
| Deferred hedging gains/losses | (254) | 490 |
| Remeasurements of defined benefit plans | 28 | 28 |
| Foreign currency translation adjustments | (2,655) | (2,403) |
| Total accumulated other comprehensive income | (3,592) | (2,201) |
| Non-controlling interests | 12,614 | 13,060 |
| Total net assets | 81,291 | 79,674 |
| Total liabilities and net assets | 293,192 | 293,710 |

(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 consolidated second quarter of this fiscal year)

(Units: Millions of yen)

| | Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2013) | Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 30, 2014) |
|--|---|---|
| Sales | 227,649 | 251,587 |
| Cost of sales | 90,395 | 107,561 |
| Gross profit | 137,253 | 144,026 |
| Sales and general administrative expenses | 132,911 | 142,854 |
| Operating profit | 4,342 | 1,172 |
| Non-operating income | | |
| Interest income | 197 | 210 |
| Dividend income | 53 | 44 |
| Lease income | 157 | 188 |
| Foreign exchange gains | 285 | 447 |
| Other | 390 | 241 |
| Total non-operating income | 1,084 | 1,132 |
| Non-operating expenses | | |
| Interest expenses | 923 | 797 |
| Lease expenses | 136 | 132 |
| Other | 243 | 304 |
| Total non-operating expenses | 1,302 | 1,234 |
| Ordinary profit (loss) | 4,123 | 1,070 |
| Extraordinary income | | |
| Gains on sale of noncurrent assets | 84 | 34 |
| Gain on sales of investment securities | 119 | 41 |
| Compensation | — | 8 |
| Other | 7 | 26 |
| Total extraordinary income | 211 | 110 |
| Extraordinary losses | | |
| Loss on retirement of noncurrent assets | 325 | 560 |
| Impairment loss | — | 359 |
| Loss on closing of stores | — | 270 |
| Other | 273 | 245 |
| Total extraordinary losses | 599 | 1,436 |
| Net profit (loss) before income taxes | 3,735 | (254) |
| Corporate, residence and enterprise taxes | 2,871 | 2,065 |
| Income taxes – deferred | 106 | (604) |
| Total corporate taxes | 2,978 | 1,460 |
| Net profit (loss) before non-controlling interests | 757 | (1,715) |
| Non-controlling interests in income | 353 | 515 |
| Net profit (loss) | 404 | (2,231) |

(Quarterly consolidated statement of comprehensive income)

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

(Units: Millions of yen)

| | Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2013) | Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 30, 2014) |
|--|---|---|
| Net profit (loss) before non-controlling interests | 757 | (1,715) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (26) | 391 |
| Deferred hedging gains/losses | (96) | 745 |
| Remeasurements of defined benefit plans | — | (0) |
| Foreign currency translation adjustments | 214 | 270 |
| Total other comprehensive income | 91 | 1,407 |
| Comprehensive income | 849 | (308) |
| (Breakdown) | | |
| Comprehensive income attributable to parent company owners | 525 | (840) |
| Comprehensive income attributable to non-controlling interests | 324 | 532 |

(3) Quarterly consolidated statement of cash flows

(Units: Millions of yen)

| | Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2013) | Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 30, 2014) |
|---|---|---|
| Cash flows from operating activities | | |
| Net profit (loss) before taxes and other adjustments | 3,735 | (254) |
| Depreciation | 9,109 | 9,649 |
| Impairment losses | — | 359 |
| Amortization of goodwill | 480 | 534 |
| Amortization of negative goodwill | (1) | (1) |
| Increase (decrease) in allowance for doubtful accounts | (9) | (0) |
| Increase (decrease) in allowance for bonuses | (61) | 107 |
| Increase (decrease) in allowance for retirement | (10) | — |
| Increase (decrease) in provision for directors' retirement benefits | — | (10) |
| Increase (decrease) in net defined benefit liability | — | (12) |
| Interest and dividends received | (251) | (254) |
| Interest expense | 923 | 797 |
| Foreign exchange losses (gains) | (245) | (466) |
| Loss (gain) on sale of investment securities | (119) | (41) |
| Loss (gain) on sale of property, plant, and equipment | (55) | (19) |
| Loss on retirement of property, plant, and equipment | 326 | 600 |
| Other extraordinary losses (gains) | 24 | 2 |
| Other non-operating losses (gains) | (19) | (5) |
| Decrease (increase) in accounts receivable – trade | 733 | 105 |
| Decrease (increase) in inventories | (264) | (3,423) |
| Increase (decrease) in accounts payable – trade | (1,432) | (780) |
| Increase (decrease) in accrued consumption taxes | 209 | 2,805 |
| Decrease (increase) in other current assets | 1,394 | (398) |
| Decrease (increase) in other noncurrent assets | 352 | 331 |
| Increase (decrease) in other current liabilities | (673) | (258) |
| Increase (decrease) in other noncurrent liabilities | 264 | (36) |
| Subtotal | 14,409 | 9,327 |
| Interest and dividends received | 71 | 133 |
| Interest paid | (905) | (815) |
| Income taxes paid | (3,538) | (2,071) |
| Cash flows from operating activities | 10,036 | 6,573 |

(Units: Millions of yen)

| | Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 30, 2013) | Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 30, 2014) |
|--|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant, and equipment | (10,241) | (12,188) |
| Proceeds from sale of property, plant, and equipment | 106 | 2,290 |
| Purchase of intangible assets | (194) | (225) |
| Proceeds from sale of intangible assets | 40 | — |
| Purchase of long-term prepaid expenses | (94) | (81) |
| Purchase of investment securities | (20) | (244) |
| Proceeds from sale of investment securities | 372 | 221 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (2,612) | (1,539) |
| Purchase of investments in subsidiaries | — | (988) |
| Payments of loans receivable | (1) | (30) |
| Collection of loans receivable | 2 | 59 |
| Payments for guarantee deposits | (682) | (449) |
| Proceeds from collection of guarantee deposits | 354 | 417 |
| Decrease (increase) in insurance funds | (2) | — |
| Decrease (increase) in premium receivable | (70) | (30) |
| Expenditures on long-term prepaid rents | (1,429) | (1,374) |
| Proceeds from fluidity of long-term prepaid rents | 2,975 | 2,470 |
| Other | (12) | (35) |
| Cash flows from investing activities | (11,511) | (11,727) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term loans payable | 5,271 | (5,683) |
| Net increase (decrease) in short-term bonds payable | — | (1,000) |
| Proceeds from long-term loans payable | 20,000 | 25,829 |
| Repayment of long-term loans payable | (20,488) | (17,247) |
| Proceeds from issuance of bonds | 7,000 | — |
| Redemption of bonds | (9,995) | (2,995) |
| Repayment of lease obligations | (1,894) | (1,817) |
| Purchase of treasury stock | (0) | (0) |
| Purchase of treasury stock in consolidated subsidiaries | (0) | — |
| Repayment of installment payables | (8) | (0) |
| Payment of dividends | (968) | (1,191) |
| Dividends paid to minority shareholders | (116) | (116) |
| Cash flows from financing activities | (1,200) | (4,222) |
| Effect of exchange rate changes on cash and cash equivalents | 148 | 93 |
| Increase (decrease) in cash and cash equivalents | (2,526) | (9,282) |
| Beginning balance of cash and cash equivalents | 18,657 | 44,313 |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | 307 | — |
| Ending balance of cash and cash equivalents | 16,438 | 35,030 |

(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]

I. Cumulative period through the consolidated second quarter of the previous fiscal year (April 1 – September 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 | 214,080 | 13,568 | 227,649 | — | 227,649 |
| (2) Intersegment sales or transferred amount | 141 | 4 | 146 | (146) | — |
| Total | 214,222 | 13,573 | 227,795 | (146) | 227,649 |
| Segment income (loss) | 5,149 | (802) | 4,346 | (4) | 4,342 |

Note: 1. Adjustment amount of segment income (loss) of -¥4 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

II. Cumulative period through the consolidated second quarter of this fiscal year (April 1 – September 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 | 228,336 | 23,251 | 251,587 | — | 251,587 |
| (2) Intersegment sales or transferred amount | 813 | 5 | 818 | (818) | — |
| Total | 229,149 | 23,256 | 252,406 | (818) | 251,587 |
| Segment income (loss) | 2,033 | (899) | 1,134 | 38 | 1,172 |

Note: 1. Adjustment amount of segment income (loss) of ¥38 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 consolidated second quarter of the previous 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 consolidated second quarter of the current fiscal year is 359 million yen.

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable