



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

February 10, 2015

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): February 10, 2015  
 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 third quarter of the fiscal year ending March 2015 (April 1 – December, 31, 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	%
Q3, FY 2015	383,410	10.2	1,438	(75.1)	1,880	(67.3)	(2,548)	–
Q3, FY 2014	347,782	12.8	5,768	(51.8)	5,744	(48.1)	717	(87.5)

Note: Comprehensive income: Q3, FY 2015: 475 million yen (down 78.6%); Q3, FY 2014: 2,219 million yen (down 67.9%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q3, FY 2015	(17.15)	–
Q3, FY 2014	5.92	–

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q3, FY 2015	313,387	80,317	21.5	452.75
FY 2014	293,192	81,291	23.4	462.23

Reference: Equity capital: Q3, FY 2015: 67,268 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
FY 2014	–	8.00	–	8.00	16.00
FY 2015	–	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 third quarter of this fiscal year: Y /  N

(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

Q3, FY 2015	148,600,000	shares	FY 2014	148,600,000	shares
Q3, FY 2015	23,751	shares	FY 2014	23,681	shares
Q3, FY 2015	148,576,300	shares	Q3, FY 2014	121,076,401	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.

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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 third quarter of this fiscal year (April 1 – December, 31, 2014), the Japanese economy recovered gently with an improvement in corporate earnings and an increase in capital investment. However, the consumption trend is still uncertain, as consumer confidence has weakened due to the decrease in real income following the rise in prices.

In the restaurant industry, the prices of ingredients increased due to the yen depreciation and the bullish markets inside and outside Japan, while personal consumption has not recovered fully, and so 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, 100.7% year-on-year, and 104.1% 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 third quarter of this fiscal year, the Group's number of stores stood at 4,888 locations. Events contributing to this figure included the opening of 147 restaurants and the closing of 59 restaurants.

Consequently, the business performance in the consolidated cumulative third quarter of this fiscal year showed sales of 383,410 million yen (up 10.2% year-on-year), operating income of 1,438 million yen (down 75.1% year-on-year), ordinary income of 1,880 million yen (down 67.3% year-on-year), and net loss of 2,548 million yen (net income of 717 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 third quarter of this fiscal year were 344,426 million yen (up 6.3% year-on-year), and operating income was 2,295 million yen (down 65.9% year-on-year).

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

#### **Gyudon category**

With the opening of 62 restaurants and the closing of 38 restaurants, the number of restaurants in the Gyudon category at the end of the consolidated third quarter of this fiscal year totaled at 2,574. This figure includes 1,983 outlets in the Sukiya chain and 476 outlets (including 18 franchised outlets) in Nakau chain.

Sukiya, a gyudon chain operated by Sukiya Co., Ltd., has been seeking to strengthen quality controls to provide safe and delicious products. 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 "Gyu-sukinabe-teishoku (beef sukiyaki pot set meal)" (regular size: 680 yen plus tax), in order to meet the various needs of customers. As for the store operation of "Sukiya," we established 7 regional companies throughout Japan to shift to community-based regime. In addition, we have made efforts to improve the working environment of employees. From October 1, 2014, late-night services have been suspended at some stores, for establishing a system in which every store is staffed with more than one worker late at night. Each local firm will recruit workers, improve training systems, and resume late-night services one by one.

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 third quarter of this fiscal year totaled 131,369 million yen (down 2.7% year-on-year).

#### **Family Dining category**

With the opening of 9 restaurants and the closing of 3 restaurants, the number of restaurant locations in the Family Dining category stood at 1,532 outlets at the end of the consolidated third 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 chain 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 third quarter of this fiscal year totaled 113,950 million yen. (up 1.4% year-on-year)

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

With the opening of 75 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the consolidated third quarter of this fiscal year stood at 676 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 third quarter of this fiscal year totaled 78,407 million yen (up 29.1% year-on-year).

#### **Other category**

Sales in the Other category in the consolidated cumulative third quarter of this fiscal year totaled 20,697 million yen (up 29.9% 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 third quarter of this fiscal year were 38,984 million yen (up 64.6% year-on-year) and operating loss was 902 million yen (operating loss of 962 million yen in the same period of the previous year).

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

#### (2) Information on consolidated financial position

At the end of the consolidated third quarter of this fiscal year, the assets increased by 20,195 million yen from the end of the previous consolidated fiscal year, mainly due to the capital investment for opening new stores and the increase in inventories.

Liabilities increased by 21,168 million yen from the end of the previous consolidated fiscal year, mainly due to the increase in borrowings.

Net assets decreased by 973 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

There are no revisions to the earnings forecast for the fiscal year ending Mar. 2015 (Apr. 1, 2014–Mar. 31, 2015), which was revised on 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 32<sup>nd</sup> 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 will make 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/>

## 2. Notes on Summary Information (Notes)

(1) Important transfers in subsidiaries during the consolidated cumulative third 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 third quarter of the current consolidated accounting period, the operating profit, ordinary profit, and net profit before income taxes for the third 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 third quarter of this fiscal year (December, 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	44,313	42,003
Notes and accounts receivable – trade	4,765	6,630
Merchandise and products	13,138	20,086
In-process inventories	525	262
Raw materials and supplies	3,006	4,593
Other receivables	12,149	20,940
Allowance for doubtful accounts	(10)	(9)
Total current assets	77,888	94,506
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	167,667	175,500
Accumulated depreciation	(88,100)	(93,721)
Buildings and structures (net)	79,566	81,778
Machinery and vehicles	14,491	12,735
Accumulated depreciation	(7,158)	(7,123)
Machinery and vehicles (net)	7,332	5,612
Other	81,995	89,709
Accumulated depreciation	(39,043)	(42,623)
Other (net)	42,951	47,085
Total property, plant, and equipment	129,851	134,476
Intangible assets		
Goodwill	13,443	14,706
Other	6,276	6,695
Total intangible assets	19,720	21,402
Investments and other assets		
Investment securities	3,379	2,245
Guarantee deposits	33,503	33,645
Other	28,644	26,952
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	65,508	62,823
Total noncurrent assets	215,079	218,702
Deferred assets	223	178
Total assets	293,192	313,387



(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2014)	Consolidated third quarter of this fiscal year (December, 31, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	15,472	19,194
Short-term loans payable	6,113	17,835
Current portion of bonds	5,840	5,590
Current portion of long-term loans payable	34,521	36,127
Accrued income taxes	2,867	1,101
Reserves	1,288	677
Other	31,103	36,367
<b>Total current liabilities</b>	<b>97,206</b>	<b>116,894</b>
<b>Noncurrent liabilities</b>		
Corporate bonds	18,744	14,900
Long-term loans payable	81,857	86,217
Net defined benefit liability	580	662
Asset retirement obligations	1,769	1,811
Other	11,743	12,583
<b>Total noncurrent liabilities</b>	<b>114,694</b>	<b>116,175</b>
<b>Total liabilities</b>	<b>211,901</b>	<b>233,069</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	23,470	23,470
Capital surplus	24,023	24,023
Retained earnings	24,796	21,028
Treasury stock	(20)	(20)
<b>Total shareholders' equity</b>	<b>72,268</b>	<b>68,500</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized holding gains on securities	(711)	(205)
Deferred hedging gains/losses	(254)	982
Remeasurements of defined benefit plans	28	28
Foreign currency translation adjustments	(2,655)	(2,037)
<b>Total accumulated other comprehensive income</b>	<b>(3,592)</b>	<b>(1,232)</b>
<b>Non-controlling interests</b>	<b>12,614</b>	<b>13,049</b>
<b>Total net assets</b>	<b>81,291</b>	<b>80,317</b>
<b>Total liabilities and net assets</b>	<b>293,192</b>	<b>313,387</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 consolidated third quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated third quarter of the previous fiscal year (April 1 – December, 31, 2013)	Cumulative period through the consolidated third quarter of this fiscal year (April 1 – December, 31, 2014)
Sales	347,782	383,410
Cost of sales	140,488	165,046
Gross profit	207,294	218,363
Sales and general administrative expenses	201,525	216,925
Operating profit	5,768	1,438
Non-operating income		
Interest income	303	309
Dividend income	59	48
Lease income	251	272
Foreign exchange gains	690	1,292
Other	508	283
Total non-operating income	1,813	2,207
Non-operating expenses		
Interest expenses	1,327	1,181
Lease expenses	177	199
Other	333	384
Total non-operating expenses	1,838	1,765
Ordinary profit (loss)	5,744	1,880
Extraordinary income		
Gains on sale of noncurrent assets	87	192
Gain on sales of investment securities	140	54
Compensation	—	8
Other	74	27
Total extraordinary income	302	282
Extraordinary losses		
Loss on retirement of noncurrent assets	422	686
Impairment loss	—	368
Loss on closing of stores	—	370
Other	517	679
Total extraordinary losses	939	2,105
Net profit before income taxes	5,106	57
Corporate, residence and enterprise taxes	3,894	2,627
Income taxes – deferred	(136)	(634)
Total corporate taxes	3,758	1,992
Net profit (loss) before non-controlling interests	1,348	(1,935)
Non-controlling interests in income	631	612
Net profit (loss)	717	(2,548)

(Quarterly consolidated statement of comprehensive income)  
(Cumulative period through the consolidated third quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated third quarter of the previous fiscal year (April 1 – December, 31, 2013)	Cumulative period through the consolidated third quarter of this fiscal year (April 1 – December, 31, 2014)
Net profit (loss) before non-controlling interests	1,348	(1,935)
Other comprehensive income		
Valuation difference on available-for-sale securities	(59)	505
Deferred hedging gains/losses	172	1,237
Remeasurements of defined benefit plans	—	(0)
Foreign currency translation adjustments	758	668
Total other comprehensive income	870	2,410
Comprehensive income	2,219	475
(Breakdown)		
Comprehensive income attributable to parent company owners	1,600	(188)
Comprehensive income attributable to non-controlling interests	618	663

(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 consolidated third quarter of the previous fiscal year (April 1 – December, 31, 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	324,100	23,681	347,782	—	347,782
(2) Intersegment sales or transferred amount	389	7	396	(396)	—
Total	324,490	23,689	348,179	(396)	347,782
Segment income (loss)	6,738	(962)	5,776	(7)	5,768

Note: 1. Adjustment amount of segment income (loss) of -¥7 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 third quarter of this fiscal year (April 1 – December, 31, 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	344,426	38,984	383,410	—	383,410
(2) Intersegment sales or transferred amount	1,309	24	1,333	(1,333)	—
Total	345,735	39,008	384,744	(1,333)	383,410
Segment income (loss)	2,295	(902)	1,393	45	1,438

Note: 1. Adjustment amount of segment income (loss) of ¥45 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 third 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 third quarter of the current fiscal year is 368 million yen.

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable