

## Financial Results (Consolidated) for First Quarter of Fiscal Year Ending March 2016 (Japanese Accounting Standards)

August 7, 2015

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE  
 Code no.: 7550 URL <http://www.zensho.co.jp/>  
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Starting date of dividend payment (planned):

Date of submission of quarterly report (planned):

August 7, 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 first quarter of the fiscal year ending March 2016 (April 1 – June, 30, 2015)

(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 2016	126,135	5.0	294	–	212	–	(272)	–
Q1, FY 2015	120,145	9.9	(923)	–	(1,232)	–	(2,331)	–

Note: Comprehensive income: Q1, FY 2016: 91 million yen (– %); Q1, FY 2015: (2,172) million yen (– %)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q1, FY 2016	(1.83)	–
Q1, FY 2015	(15.69)	–

### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q1, FY 2016	281,917	74,172	21.5	408.50
FY 2015	289,467	74,233	21.0	410.09

Reference: Equity capital: Q1, FY 2016: 60,694 million yen; FY 2015: 60,929 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 2015	–	0.00	–	0.00	0.00
FY 2016	–	–	–	–	–
FY 2016 (forecast)	–	4.00	–	4.00	8.00

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

### 3. Consolidated business performance forecasts for FY 2016 (April 1, 2015 – March 31, 2016)

(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)	269,684	7.2	5,410	361.5	4,607	330.4	1,395	–	9.39
Full year	546,725	6.8	12,235	389.8	10,939	280.5	3,311	–	22.29

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 first 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 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 2016	148,600,000	shares	FY 2015	148,600,000	shares
Q1, FY 2016	23,875	shares	FY 2015	23,823	shares
Q1, FY 2016	148,576,137	shares	Q1, FY 2015	148,576,319	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 first quarter of this fiscal year (April 1 – June, 30, 2015), the Japanese economy has seen improvements in company profit and the employment environment, and has progressed with a calm recovery. On the other hand, as for the consumer trend, although there has been movement towards an increase in consumer income, we are seeing a sluggish pace of improvement in consumer mentality and thus, these uncertain market conditions have continued on.

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 98.9% year-on-year, 98.8% year-on-year, and 98.1% year-on-year, respectively. Regarding the profit, despite the rise in ingredient prices including beef prices, there was an increase in profit compared to the same period of the previous year mainly because the late-night store operations of the Gyudon chain, "Sukiya," have been resumed. At the end of the consolidated first quarter of this fiscal year, the Group's number of stores stood at 4,758 locations. Events contributing to this figure included the opening of 34 restaurants and the closing of 5 restaurants.

Consequently, the business performance in the consolidated cumulative first quarter of this fiscal year showed sales of 126,135 million yen (up 5.0% year-on-year), operating income of 294 million yen (operating loss of 923 million yen in the same period of the previous year), ordinary income of 212 million yen (ordinary loss of 1,232 million yen in the same period of the previous year), and loss attributable to owners of parent of 272 million yen (loss attributable to owners of parent of 2,331 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 first quarter of this fiscal year were 110,711 million yen (up 1.4% year-on-year), and operating income was 337 million yen (operating loss of 526 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 15 restaurants and the closing of 2 restaurants, the number of restaurants in the Gyudon category at the end of the consolidated first quarter of this fiscal year totaled at 2,594. This figure includes 1,985 outlets in the Sukiya chain and 475 outlets (including 17 franchised outlets) in Nakau chain.

In order to provide more satisfaction to customers, Sukiya, a gyudon chain operated by Sukiya Co., Ltd., revised the recipe of Gyudon, increasing the amount of beef and onion, under the concept of "New Value," and changed its price from 291 yen (270 yen plus tax) to 350 yen (tax included) on April 15, 2015. In addition, Sukiya strengthened its product lineup by adding "Tondon (rice bowl topped with pork)" (regular size: 350 yen plus tax), "Maguro-don (rice bowl topped with sliced raw tuna and minced raw tuna)" (regular size: 590 yen plus tax), and seasonal products of "Nabeyaki-bibinba-teishoku (set meal with a bibimbap hotpot)" (regular size: 580 yen plus tax), "Unadon (rice bowl topped with eel)" (regular size: 780 yen plus tax) and "Unagyū (rice bowl topped with beef, onion and eel)" (regular size: 880 yen plus tax), in order to meet the various needs of customers. Sukiya also has been seeking to strengthen quality controls and improve service levels. Also, Sukiya is working to strengthen the employment and education of each regional company, resumes late-night business operations with more than one worker, and also continues to work on improving the labor environment. 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 attraction 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 first quarter of this fiscal year totaled 44,133 million yen (up 5.4% year-on-year).

#### **Family Dining category**

With the opening of 2 restaurants, the number of restaurant locations in the Family Dining category stood at 1,367 outlets (including 85 franchised outlets) at the end of the consolidated first 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 great-deal fair menus which are tailored to customers' needs and enhancing service standards of the restaurants.

The Big Boy, the chain of hamburg 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 special menus.

Jolly Pasta, the 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. Jolly Pasta 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 products that use seasonal ingredients.

As for the restaurant business in the U.S., all shares of the company operating this business were transferred at the end of the previous consolidated fiscal year.

Due to these efforts, sales in the Family Dining category in the consolidated cumulative first quarter of this fiscal year totaled 32,392 million yen. (down 12.3% year-on-year)

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

With the opening of 17 restaurants and the closing of 2 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the consolidated first quarter of this fiscal year stood at 696 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 first quarter of this fiscal year totaled 27,316 million yen (up 14.0% year-on-year).

#### **Other category**

Sales in the Other category in the consolidated cumulative first quarter of this fiscal year totaled 6,868 million yen (up 6.8% year-on-year).

Main businesses in this category include Tolona Japan Co., Inc., which produces and sells pizzas; 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 first quarter of this fiscal year were 15,423 million yen (up 40.8% year-on-year) and operating loss was 43 million yen (operating loss of 413 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 first quarter of this fiscal year, the assets decreased by 7,549 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease in cash and deposits.

Liabilities decreased by 7,488 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease in consumption tax payable and accrued income taxes.

Net assets decreased by 61 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. 2016 (Apr. 1, 2015–Mar. 31, 2016), which was announced on May 12, 2015.

## 2. Notes on Summary Information (Notes)

(1) Important transfers in subsidiaries during the consolidated cumulative first 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 Standard for Business Combination)

The “Accounting Standard for Business Combination” (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combination Accounting Standard.”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Consolidated Accounting Standard.”) and the “Accounting Standard for Business Divestitures,” (ASBJ Statement No. 7, September 13, 2013, hereinafter referred to as the “Business Divestitures Accounting Standard.”) shall be applied from the consolidated first quarter of this fiscal year. In the case that ownership were to be continued, our company shall post the change in our equity on the subsidiary as capital surplus, and record acquisition-related cost as the expense for the fiscal year in which it emerged. As for the business combination after the beginning of the first quarter of this consolidated fiscal year, we shifted to the method of reflecting the revision to the allocated amount of acquisition cost based on provisional accounting settlement in the quarterly consolidated financial statements for the period including the business combination. In addition, we changed the indication of quarterly net profit, etc. and shifted from minority interest to non-controlling interest. In order to reflect these revisions, quarterly and annual consolidated financial statements for the previous first quarter and the previous consolidated financial year have been reproduced.

As for the application of the Business Combination Accounting Standard, etc., we follow the provisions for transitional handling specified in the Business Combination Accounting Standard No. 58, Section 2 (4), the Consolidated Accounting Standard No. 44, Section 5 (4) and the Business Divestiture Accounting Standard No. 57, Section 4 (4), from the onset of this first consolidated accounting quarter to the future.

As a result of this, there is a slight influence on the operating and ordinary profits, quarterly net profit before taxes, etc. for the first quarter of this consolidated fiscal year, and capital surplus as of the end of the first quarter of this consolidated fiscal year.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Consolidated first quarter of this fiscal year (June, 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	29,428	22,019
Notes and accounts receivable – trade	4,837	5,073
Merchandise and products	19,171	19,919
In-process inventories	571	589
Raw materials and supplies	3,457	3,583
Other receivables	15,187	16,463
Allowance for doubtful accounts	(8)	(8)
Total current assets	72,645	67,641
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	165,755	167,879
Accumulated depreciation	(87,732)	(89,437)
Buildings and structures (net)	78,023	78,442
Machinery and vehicles	10,222	11,177
Accumulated depreciation	(5,188)	(5,412)
Machinery and vehicles (net)	5,034	5,765
Other	84,090	85,058
Accumulated depreciation	(40,392)	(41,579)
Other (net)	43,697	43,478
Total property, plant, and equipment	126,755	127,685
Intangible assets		
Goodwill	14,135	13,874
Other	3,034	3,004
Total intangible assets	17,170	16,879
Investments and other assets		
Investment securities	2,500	2,150
Guarantee deposits	33,647	33,646
Other	36,610	33,794
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	72,739	69,573
Total noncurrent assets	216,664	214,138
Deferred assets	157	138
Total assets	289,467	281,917

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2015)	Consolidated first quarter of this fiscal year (June, 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	15,877	15,441
Short-term loans payable	9,214	18,741
Current portion of bonds	5,490	5,490
Current portion of long-term loans payable	32,791	30,964
Accrued income taxes	2,179	708
Reserves	1,368	792
Other	32,092	25,996
Total current liabilities	99,014	98,134
Noncurrent liabilities		
Corporate bonds	13,255	12,155
Long-term loans payable	88,432	82,743
Net defined benefit liability	715	713
Asset retirement obligations	1,839	1,852
Other	11,976	12,146
Total noncurrent liabilities	116,219	109,610
Total liabilities	215,233	207,745
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,470	23,470
Capital surplus	24,023	24,023
Retained earnings	12,469	11,956
Treasury stock	(21)	(21)
Total shareholders' equity	59,941	59,428
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(306)	9
Deferred hedging gains/losses	261	267
Remeasurements of defined benefit plans	(9)	(9)
Foreign currency translation adjustments	1,041	997
Total accumulated other comprehensive income	987	1,265
Non-controlling interests	13,304	13,477
Total net assets	74,233	74,172
Total liabilities and net assets	289,467	281,917



(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 first quarter of this fiscal year)

(Units: Millions of yen)

	Cumulative period through the consolidated first quarter of the previous fiscal year (April 1 – June, 30, 2014)	Cumulative period through the consolidated first quarter of this fiscal year (April 1 – June, 30, 2015)
Sales	120,145	126,135
Cost of sales	51,161	56,089
Gross profit	68,983	70,045
Sales and general administrative expenses	69,906	69,751
Operating profit (loss)	(923)	294
Non-operating income		
Interest income	103	103
Dividend income	43	2
Lease income	90	62
Foreign exchange gains	—	47
Other	153	196
Total non-operating income	389	412
Non-operating expenses		
Interest expenses	398	329
Lease expenses	70	42
Foreign exchange losses	73	—
Other	157	122
Total non-operating expenses	699	494
Ordinary profit (loss)	(1,232)	212
Extraordinary income		
Gain on sales of investment securities	5	0
Gain on sale of noncurrent assets	6	0
Compensation	8	6
Gain on liquidation of subsidiaries	—	285
Other	0	0
Total extraordinary income	20	293
Extraordinary losses		
Loss on retirement of noncurrent assets	237	56
Impairment loss	248	—
Loss on closing of stores	262	27
Other	130	83
Total extraordinary losses	879	167
Net profit (loss) before income taxes	(2,091)	338
Corporate, residence and enterprise taxes	593	390
Income taxes – deferred	(541)	133
Total corporate taxes	52	524
Net profit (loss) before non-controlling interests	(2,144)	(185)
Non-controlling interests in income	187	86
Net profit (loss) attributable to owners of parent	(2,331)	(272)

(Quarterly consolidated statement of comprehensive income)

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

(Units: Millions of yen)

	Cumulative period through the consolidated first quarter of the previous fiscal year (April 1 – June, 30, 2014)	Cumulative period through the consolidated first quarter of this fiscal year (April 1 – June, 30, 2015)
Net profit (loss) before non-controlling interests	(2,144)	(185)
Other comprehensive income		
Valuation difference on available-for-sale securities	106	315
Deferred hedging gains/losses	(58)	6
Remeasurements of defined benefit plans	(0)	0
Foreign currency translation adjustments	(76)	(44)
Total other comprehensive income	(28)	277
Comprehensive income	(2,172)	91
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,354)	6
Comprehensive income attributable to non-controlling interests	181	85

(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 first quarter of the previous 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 (loss) is adjusted with the operating loss 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)

With regard to the “Restaurant business” segment, we posted the impairment loss of restaurant assets. The amount of the impairment loss comes to 248 million yen for the first quarter of this consolidated fiscal year.

(Important fluctuation in goodwill amount)

Not applicable

(Important negative goodwill profit)

Not applicable

II. Cumulative period through the consolidated first quarter of this fiscal year (April 1 – June, 30, 2015)

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	110,711	15,423	126,135	—	126,135
(2) Intersegment sales or transferred amount	492	28	521	(521)	—
Total	111,203	15,452	126,656	(521)	126,135
Segment income (loss)	337	(43)	294	(0)	294

Note: 1. Adjustment amount of segment income (loss) of -¥0 million are mainly elimination of intersegment transactions

2. The total amount of segment income (loss) 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