



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

February 3, 2014

Name of listed firm: **Zensho Holdings Co., Ltd.** Exchange: TSE
 Code no.: 7550 URL <http://www.zensho.co.jp/>
 Representative: (title) Chairman of the Board and CEO (name) Kentaro Ogawa
 (title) Senior General Manager of
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 Division
 Starting date of dividend payment (planned): —
 Date of submission of quarterly report (planned): February 3, 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 third quarter of the fiscal year ending March 2014 (April 1 – December 31, 2013)

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

	Sales		Operating profit		Ordinary profit		Quarterly net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3, FY 2014	347,782	12.8	5,768	(51.8)	5,744	(48.1)	717	(87.5)
Q3, FY 2013	308,269	3.8	11,976	(30.1)	11,068	(29.5)	5,721	11.7

Note: Comprehensive income: Q3, FY 2014: 2,219 million yen (down 67.9%); Q3, FY 2013: 6,913 million yen (up 23.0%)

	Quarterly net profit per share	Quarterly diluted net profit per share
	yen	yen
Q3, FY 2014	5.92	—
Q3, FY 2013	47.25	—

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Q3, FY 2014	271,145	55,472	15.6	348.34
FY 2013	258,509	55,218	16.5	351.83

Reference: Equity capital: Q3, FY 2014: 42,175 million yen; FY 2013: 42,599 million yen

2. Dividend position

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

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

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

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

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

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

Notes

(1) Important changes in subsidiaries (changes in specified subsidiaries resulting in change in scope of consolidation) during the cumulative period through the third 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

(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 2014	121,100,000	shares	FY 2013	121,100,000	shares
Q3, FY 2014	23,629	shares	FY 2013	23,497	shares
Q3, FY 2014	121,076,401	shares	Q3, FY 2013	121,076,669	shares

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

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

Notes on quarterly review procedures

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

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

(Notes on forward-looking statements, etc.)

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

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

(1) Qualitative information on quarterly consolidated business performance

During the cumulative period through the third quarter of this consolidated fiscal year (April 1 – December 31, 2013), the Japanese economy recovered due to the effects of the economic and financial policies of the current regime, but disposable income has not recovered on a full-scale basis, and the economic situation remains uncertain.

In the restaurant industry, ingredient prices and energy costs are rising, and it is anticipated that household consumption will decline in the wake of the consumption tax hike. This indicates that the business environment remains stringent.

Under these circumstances, the sales of existing stores in the Gyudon category represented by Sukiya, the Family Dining category such as Coco's and Jolly-Pasta and the Fast Food Service category such as Hamasushi were 94.4% year-on-year, 100.5% year-on-year, and 102.0% year-on-year, respectively. The profit decreased as compared with last year due to transition of food prices such as rice and beef in high price range, increase in electricity prices, etc.

At the end of the third quarter of this consolidated fiscal year, the Group's number of stores stood at 4,771 locations. Events contributing to this figure included the opening of 154 restaurants and the closing of 48 restaurants.

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

① Restaurant business

The sales of the restaurant business in the cumulative period through the third quarter of this consolidated fiscal year were 324,100 million yen (up 7.0% year-on-year), and operating profit was 6,703 million yen (down 42.6% year-on-year).

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

Gyudon category

With the opening of 86 restaurants and the closing of 21 restaurants, the number of restaurants in the Gyudon category at the end of the third quarter of this consolidated fiscal year totaled at 2,530. This figure includes 1,965 outlets in the Sukiya chain operated by Zensho Co., Ltd. and 479 outlets (including 21 franchised outlets) operated by Nakau Co., Ltd.

In addition to opening new locations and strengthening brand power through advertising, public relations and other activities, Sukiya, a gyudon chain operated by Zensho Co., Ltd., strengthened its product lineup by adding new products such as Japchae Gyudon (regular size: 430 yen), Shiodare Yasai Gyudon (Vegetable beef bowl with salt sauce) (regular size: 450 yen) and Kokumiso Yasai Gyudon (Vegetable beef bowl with rich miso sauce) (regular size: 450 yen). In addition, Sukiya has been seeking to strengthen quality controls and improve its service to allow customers to continue to enjoy safe and delicious products with peace of mind.

Nakau, a Japanese-style gyudon and 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 third quarter of this consolidated fiscal year totaled 134,996 million yen (down 0.8% year-on-year).

Family Dining category

With the opening of 2 restaurants, the closing of 21 restaurants and some conversions to other business types within the Group, the number of restaurant locations in the Family Dining category stood at 1,530 outlets at the end of the third quarter of this consolidated fiscal year.

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

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

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

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

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

Due to these efforts, sales in the Family Dining category in the cumulative period through the third quarter of this consolidated fiscal year totaled 112,417 million yen. (up 1.8% year-on-year)

Fast Food Service category

With the opening of 63 restaurants, the number of restaurant locations in the Fast Food Service category at the end of the third quarter of this consolidated fiscal year stood at 599.

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

Due to these efforts, sales in the Fast Food Service category in the cumulative period through the third quarter of this consolidated fiscal year totaled 60,752 million yen (up 36.0% year-on-year).

Other category

Net sales in the Other category in the cumulative period through the third quarter of this consolidated fiscal year totaled 15,933 million yen (up 34.5% 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

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.

The retail business is undergoing a structural reform. Its sales in the cumulative period through the third quarter of this consolidated fiscal year were 23,682 million yen and operating loss was 935 million yen.

As a result of the above, consolidated business performance in the cumulative period through the third quarter of this consolidated fiscal year showed sales of 347,782 million yen (up 12.8% year-on-year), operating profit of 5,768 million yen (down 51.8% year-on-year), ordinary profit of 5,744 million yen (down 48.1% year-on-year) and quarterly net profit of 717 million yen (down 87.5% year-on-year).

(2) Qualitative information on consolidated financial position

At the end of the third quarter of this consolidated fiscal year, the Group's assets increased by 12,635 million yen from the end of the previous consolidated fiscal year, mainly due to the increase in property, plant and equipment.

Liabilities increased by 12,381 million yen from the end of the previous consolidated fiscal year, mainly due to the increase in loans payable.

Net assets increased by 254 million yen from the end of the previous consolidated fiscal year.

(3) Qualitative information on forecasts of consolidated business performance

The forecast of business performance for the full fiscal year ending March 2014 (April 1, 2013 to March 31, 2014), which was revised on November 1, 2013, has not been revised this time.

2. Notes on Summary Information (Notes)

- (1) Important changes in subsidiaries during the cumulative period through the third quarter of this consolidated fiscal year
None
- (2) Special accounting policies applied in preparation of the quarterly consolidated financial statements
None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
None

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Third quarter of this consolidated fiscal year (December 31, 2013)
Assets		
Current assets		
Cash and deposits	18,657	19,249
Notes and accounts receivable – trade	4,748	6,211
Merchandise and products	10,012	12,273
In-process inventories	510	534
Raw materials and supplies	2,492	4,017
Other receivables	13,403	13,147
Allowance for doubtful accounts	(10)	(10)
Total current assets	49,816	55,423
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	160,366	167,693
Accumulated depreciation	(82,418)	(86,523)
Buildings and structures (net)	77,947	81,170
Machinery and vehicles	12,583	14,290
Accumulated depreciation	(6,040)	(6,894)
Machinery and vehicles (net)	6,542	7,396
Other	74,069	80,133
Accumulated depreciation	(34,087)	(37,666)
Other (net)	39,981	42,467
Total property, plant, and equipment	124,471	131,033
Intangible assets		
Goodwill	12,399	13,330
Other	5,054	6,363
Total intangible assets	17,453	19,694
Investments and other assets		
Investment securities	4,276	3,175
Guarantee deposits	32,921	33,363
Other	29,398	28,322
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	66,574	64,838
Total noncurrent assets	208,498	215,567
Deferred assets	194	154
Total assets	258,509	271,145

(Units: Millions of yen)

	Previous consolidated fiscal year (March 31, 2013)	Third quarter of this consolidated fiscal year (December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	13,281	16,647
Short-term loans payable	1,876	11,264
Current portion of bonds	5,990	5,990
Current portion of long-term loans payable	38,270	35,084
Accrued income taxes	3,280	1,151
Reserves	1,466	632
Other	33,005	28,822
Total current liabilities	97,170	99,594
Noncurrent liabilities		
Corporate bonds	19,583	20,610
Long-term loans payable	72,522	81,014
Reserves	582	584
Asset retirement obligations	1,609	1,746
Other	11,822	12,122
Total noncurrent liabilities	106,120	116,078
Total liabilities	203,291	215,672
Net assets		
Shareholders' equity		
Capital stock	10,089	10,089
Capital surplus	10,642	10,642
Retained earnings	25,812	24,505
Treasury stock	(20)	(20)
Total shareholders' equity	46,524	45,216
Accumulated other comprehensive income		
Net unrealized holding gains on securities	(698)	(733)
Deferred hedging gains/losses	(149)	22
Foreign currency translation adjustments	(3,076)	(2,330)
Total accumulated other comprehensive income	(3,924)	(3,041)
Non-controlling interests	12,619	13,297
Total net assets	55,218	55,472
Total liabilities and net assets	258,509	271,145

(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 third quarter of this consolidated fiscal year)

(Units: Millions of yen)

	Cumulative period through the third quarter of the previous consolidated fiscal year (April 1 – December 31, 2012)	Cumulative period through the third quarter of this consolidated fiscal year (April 1 – December 31, 2013)
Sales	308,269	347,782
Cost of sales	112,164	140,488
Gross profit	196,104	207,294
Sales and general administrative expenses	184,128	201,525
Operating profit	11,976	5,768
Non-operating income		
Interest income	268	303
Dividend income	89	59
Lease income	262	251
Foreign exchange gains	—	690
Other	614	508
Total non-operating income	1,234	1,813
Non-operating expenses		
Interest expenses	1,543	1,327
Lease expenses	249	177
Other	349	333
Total non-operating expenses	2,141	1,838
Ordinary profit	11,068	5,744
Extraordinary income		
Gains on sale of noncurrent assets	0	87
Gain on sales of investment securities	—	140
Gain on negative goodwill	1,220	—
Other	23	74
Total extraordinary income	1,245	302
Extraordinary losses		
Loss on retirement of noncurrent assets	387	422
Impairment loss	179	—
Other	232	517
Total extraordinary losses	799	939
Net profit before income taxes	11,514	5,106
Corporate, residence and enterprise taxes	4,487	3,894
Income taxes – deferred	571	(136)
Total corporate taxes	5,058	3,758
Net profit before non-controlling interests	6,455	1,348
Non-controlling interests in income	734	631
Net profit	5,721	717

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

(Units: Millions of yen)

	Cumulative period through the third quarter of the previous consolidated fiscal year (April 1 – December 31, 2012)	Cumulative period through the third quarter of this consolidated fiscal year (April 1 – December 31, 2013)
Net profit before non-controlling interests	6,455	1,348
Other comprehensive income		
Valuation difference on available-for-sale securities	(117)	(59)
Deferred hedging gains/losses	492	172
Foreign currency translation adjustments	83	758
Total other comprehensive income	457	870
Comprehensive income	6,913	2,219
(Breakdown)		
Comprehensive income attributable to parent company owners	6,179	1,600
Comprehensive income attributable to non-controlling interests	734	618

(4) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable

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

Not applicable

(Segment information)

[Segment information]

Cumulative period through the third quarter of the previous consolidated fiscal year (April 1 – December 31, 2012)

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

Cumulative period through the third quarter of this consolidated fiscal year (April 1 – December 31, 2013)

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

(Additional information)

[Consolidated taxation system]

Our company and certain consolidated subsidiaries submitted the application for approval of consolidated taxation. The application was subsequently approved and a consolidated taxation system will be adopted starting from the fiscal year ending March 2015. Accordingly, effective the third quarter of this consolidated fiscal year, our company and certain of its consolidated subsidiaries have adopted the tax effect accounting on the premise of consolidated taxation, in compliance with "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (Practical Issues Tax Force No. 5) and "Practical Solution of Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (Report on practical procedures No. 7).