

## DISCLAIMER

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October 30, 2015

**Summary of Financial Results of the Second Quarter of the Fiscal Year Ending March 31, 2016**  
**[Japanese standards] (Consolidated)**

Company name: SATO RESTAURANT SYSTEMS COMPANY LIMITED Stock Exchange listings: Tokyo  
 Securities code: 8163 URL: <http://www.sato-restaurant-systems.co.jp>  
 Representative: Yoshitaka Shigesato, President & Chief Executive Officer  
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 Scheduled date of filing of quarterly report: November 10, 2015  
 Scheduled date of payment of dividend: N/A  
 Preparation of supplementary references regarding quarterly results: No  
 Holding the briefing of quarterly results: Yes (For institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)  
 (△ means decrease)

**1. Financial results of the Second Quarter of the Fiscal Year Ending March 31, 2016 (Apr. 1, 2015 – Sep. 30, 2015)**

(1) Consolidated operating results (cumulative total)

(Percentages represent changes from previous year)

|              | Net sales   |      | Operating income |      | Ordinary income |       | Income attributable to owners of parent |       |
|--------------|-------------|------|------------------|------|-----------------|-------|---|-------|
|              | Million yen | %    | Million yen      | %    | Million yen     | %     | Million yen                             | %     |
| 2Q FY03/2016 | 19,704      | 5.7  | 504              | △9.5 | 428             | △26.7 | 182                                     | △40.3 |
| 2Q FY03/2015 | 18,647      | 37.8 | 556              | 20.9 | 584             | 36.7  | 305                                     | 9.7   |

(Note) Comprehensive income 2Q FY03/2016: 163 million yen (△52.0%)  
 2Q FY03/2015: 341 million yen ( 15.2%)

|              | Net profit per share |     | Diluted net profit per share |     |
|--------------|----------------------|-----|------------------------------|-----|
|              | Yen                  | Yen | Yen                          | Yen |
| 2Q FY03/2016 | 5.88                 | —   | —                            | —   |
| 2Q FY03/2015 | 10.84                | —   | —                            | —   |

(2) Consolidated financial position

|              | Total assets |             | Net assets  |             | Equity ratio |     | Net assets per share |  |
|--------------|--------------|-------------|-------------|-------------|--------------|-----|----------------------|--|
|              | Million yen  | Million yen | Million yen | Million yen | %            | Yen | Yen                  |  |
| 2Q FY03/2016 | 27,813       | 14,821      | 14,821      | 52.9        | 442.74       |     |                      |  |
| FY03/2015    | 24,272       | 10,456      | 10,456      | 42.5        | 365.89       |     |                      |  |

(Reference) Shareholders equity: 2Q FY03/2016: 14,702 million yen  
 FY03/2015: 10,321 million yen

**2. Dividends**

|                       | Annual dividend per share |        |        |          |       |
|-----------------------|---------------------------|--------|--------|----------|-------|
|                       | 1Q-end                    | 2Q-end | 3Q-end | Year-end | Total |
|                       | Yen                       | Yen    | Yen    | Yen      | Yen   |
| FY03/2015             | —                         | —      | —      | 5.00     | 5.00  |
| FY03/2016             | —                         | —      | —      | —        | —     |
| FY03/2016 (forecasts) | —                         | —      | —      | 5.00     | 5.00  |

(NOTE) Revisions to dividend forecasts published most recently: None

**3. Consolidated performance forecasts for the Fiscal Year Ending March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)**

(Percentages represent changes from previous year; △ means decrease)

|           | Net sales   |     | Operating income |     | Ordinary income |      | Income attributable to owners of parent |       | Net profit per share |  |
|-----------|-------------|-----|------------------|-----|-----------------|------|---|-------|----------------------|--|
|           | Million yen | %   | Million yen      | %   | Million yen     | %    | Million yen                             | %     | Yen                  |  |
| Full term | 40,900      | 7.7 | 1,260            | 6.5 | 1,220           | △8.3 | 490                                     | △41.7 | 15.29                |  |

(NOTE) Revisions to performance forecasts published most recently: None

**\*Notes**

- (1) Changes in important subsidiaries during the current quarterly consolidated cumulative period (changes in specific subsidiaries resulting in modifications of the consolidation scope): None  
New company: None  
Excluded company: None
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes and restatements of accounting estimates
- |   |      |
|---|------|
| 1) Changes in accounting principles caused by revision of accounting standards: | Yes  |
| 2) Changes other than 1):   | None |
| 3) Changes in accounting estimates:   | None |
| 4) Restatements:  | None |
- (4) Number of outstanding shares (common shares)
- |   |                   |
|---|-------------------|
| 1) Number of shares outstanding at the end of the period (including treasury stock) |                   |
| 2Q FY03/2016:   | 33,209,080 shares |
| FY03/2015:  | 28,209,080 shares |
| 2) Number of treasury stock at the end of the period                                |                   |
| 2Q FY03/2016:   | 163 shares        |
| FY03/2015:  | 163 shares        |
| 3) Average number of shares outstanding during the period (quarterly cumulative)    |                   |
| 2Q FY03/2016:   | 31,066,059 shares |
| 2Q FY03/2015:   | 28,208,958 shares |

**\* Presentation concerning implementation status of quarterly review procedures**

These quarterly financial results are not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the time of disclosing these quarterly financial results, review procedures regarding the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

**\* Explanation regarding appropriate use of the earnings forecast and other special notes**

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered to be reasonable, and therefore actual business performance and other elements may differ substantially due to various factors.

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**1. Qualitative Information regarding the Current Quarter**

## (1) Descriptions regarding operating results

## ① Consolidated performance

(million yen; △ means decrease)

|   | 2Q FY03/2015   |                 |          | 2Q FY03/2016   |                 |          |
|---|----------------|-----------------|----------|----------------|-----------------|----------|
|   | Actual results | +/- amounts YoY | +/-% YoY | Actual results | +/- amounts YoY | +/-% YoY |
| Net sales                               | 18,647         | 5,116           | 37.8%    | 19,704         | 1,057           | 5.7%     |
| Operating income                        | 556            | 96              | 20.9%    | 504            | △52             | △9.5%    |
| Ordinary income                         | 584            | 156             | 36.7%    | 428            | △156            | △26.7%   |
| Income attributable to owners of parent | 305            | 26              | 9.7%     | 182            | △123            | △40.3%   |

As for consolidated performance of the current second quarter consolidated cumulative period, net sales increased due to increase in number of restaurants in operation and solid growth of sales of existing restaurants. Although profitability in the current period was lower as compared to the previous year because of increase in labor costs and of expenses associated with capital expansion by public offering carried out in June, 2015, the values of consolidated performance forecasts for the second quarter consolidated cumulative period announced earlier on July 31, 2015 have been eventually exceeded, by virtue of reduction in utilities expenses and of proper control over sales administrative expenses.

## ② Measures for opening new restaurants

(million yen; △ means decrease)

| Category                           | As of end of previous consolidated fiscal year | Newly opened restaurants | As of end of the current second quarter consolidated fiscal period | Planned to open during the current consolidated fiscal year |
|------------------------------------|--|--------------------------|--|---|
| Washoku Sato                       | 198 (—)  | 1 (—)                    | 199 (—)  | 3 (—)   |
| Sushi-han                          | 14 (—)   | — (—)                    | 14 (—)   | — (—)   |
| Tendon & Tempura restaurant Santen | 12 (—)   | 5 (—)                    | 17 (—)   | 20 (4)  |
| Nigiri Chojiro                     | 52 (—)   | — (—)                    | 52 (—)   | 4 (—)   |
| Nigiri Chujiro                     | 3 (—)  | — (—)                    | 3 (—)  | 3 (—)   |
| Katsuya                            | 23 (11)  | 6 (3)                    | 29 (14)  | 16 (10)   |
| Miyakobito                         | 21 (20)  | — (—)                    | 21 (20)  | — (—)   |
| Total                              | 323 (31)                                       | 12 (3)                   | 335 (34)   | 46 (14)   |

NOTE: Numbers in parentheses represent FC restaurants

In the current consolidated fiscal year, that is, the second year of our mid-term management plan, total 46 of directly managed restaurants and FC restaurants are planned to be newly opened; and in practice, during the current quarter consolidated cumulative period, 1 directly managed "Washoku Sato" restaurant, 5 directly managed "Tendon & Tempura restaurant Santen" restaurants, and 6 "Katsuya" restaurants comprising 3 directly managed ones and 3 FCs were newly opened, totaling 12 new restaurants among all categories. It should be noted that in addition to the abovementioned restaurants already in operation, contracts have been executed for opening 12 new restaurants (as of September 30, 2015).

As part of its overseas development, the Group has adopted an approach to establish joint ventures with local partner companies, and this year the second restaurant in Indonesia, i.e., "Washoku Sato MOI branch" was opened in May and the second restaurant in Thailand, i.e., "Washoku Sato AMATA Home Pro branch" was opened in September. Elsewhere, one of our hot pot restaurants of "Nabe Sato" operated in Taiwan was closed, and therefore 7 restaurants remain in operation overseas and there are currently 342 restaurants of the Group in total domestically and overseas.

Renovation was carried out at 6 "Washoku Sato" restaurants and 4 "Nigiri Chojiro" restaurants.

## ③ Other measures

As part of its branding measures, and in order to enhance engagement with each stakeholder and to further enhance corporate brand value, the Company published a branding document titled "Winning strategies for restaurant business learning from 'Sato', the No.1 Japanese food family restaurant company with the highest number of restaurants" that represents attractiveness of us, sold by GENTOSHA MEDIA CONSULTING, INC. also available to the public.

For operational measures at "Washoku Sato" restaurants, aiming at improvement in efficiency of cooking processes and in quality stability, programmable IH cooking heaters have been installed at every restaurant since last September as alternatives to gas stove cookers, and in addition, new merchandise are offered along with brushing up pre-existing ones.

At "Nigiri Chojiro" restaurants, the greatest joy is that customer would say "Delicious!", they deliver seasonal menu making use of fresh raw materials such as Kinmedai (Red snapper) and Tachiuo (Cutlass fish). And in addition, we organized a WEB-Limited "Chojiro Exam" to gain appreciation in which customers are invited to participate for the purpose of entertainment and promotion in order to attract more people to visit our "Nigiri Chojiro" restaurants.

It should be noted that the Group is a single segment of food service business and therefore description of segmental performance is omitted.

## (2) Descriptions regarding financial position

(Status of assets, liabilities and net assets)

Total assets at the end of the current second quarter consolidated fiscal period were 27,813 million yen (increase by 3,541 million yen from the end of the previous consolidated fiscal year).

(Assets)

Current assets were 10,852 million yen (increase by 3,325 million yen from the end of the previous consolidated fiscal year). This is mainly due to, for example, increase in cash and deposits by 3,153 million yen.

Non-current assets were 16,959 million yen (increase by 216 million yen from the end of the previous consolidated fiscal year). This is mainly due to, for example, increase in tangible assets - other (net) by 101 million yen and increase in investments and other assets - other by 100 million yen.

(Liabilities)

Current liabilities were 6,752 million yen (decrease by 532 million yen from the end of the previous consolidated fiscal year). This is mainly due to, for example, decrease in reserve for bonuses by 154 million yen and decrease in current liabilities - other by 375 million yen.

Non-current liabilities were 6,239 million yen (decrease by 291 million yen from the end of the previous consolidated fiscal year). This is mainly due to, for example, decrease in long-term loans payable by 315 million yen.

(Net assets)

Net assets at the end of the current second quarter consolidated fiscal period were 14,821 million yen (increase by 4,365 million yen from the end of the previous consolidated fiscal year).

(Cash flow status)

Cash and cash equivalents (hereinafter, "business fund") at the end of the current second quarter consolidated fiscal period were 7,685 million yen (increase by 2,153 million yen from the end of the previous consolidated fiscal year). Each cash flow status and factors thereof in the current second quarter consolidated fiscal period consolidated fiscal year are as follows.

(Cash flow from operating activities)

Business fund resulting from operating activities was 49 million yen (whereas it was 871 million yen in the same period of the previous year). This includes mainly income before income taxes and minority interests of 419 million yen, depreciation of 638 million yen, decrease in accrued consumption taxes by 388 million yen, and income taxes paid of 273 million yen.

(Cash flow from investment activities)

Business fund used for investment activities was 1,684 million yen (whereas it was 534 million yen in the same period of the previous year). This includes mainly expense to time deposits of 1,000 million yen and expense by acquiring property, plant and equipment of 424 million yen.

(Cash flow from financial activities)

Business fund resulting from financial activities was 3,713 million yen (whereas 867 million yen was spent in the same period of the previous year). This includes mainly proceeds from issuance of common stock of 4,313 million yen, net decrease in long-term loans payable by 302 million yen and dividends paid of 141 million yen.

## (3) Descriptions regarding future prospects such as consolidated performance forecasts

There is no change in consolidated performance forecasts for the full term, as announced in the Summary of Financial Results on July 31, 2015.

**2. Matters regarding Summary Information (Notes)**

- (1) Changes in important subsidiaries during the current quarterly consolidated cumulative period  
Not applicable.
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement  
Not applicable.

- (3) Changes in accounting principles, changes and restatements of accounting estimates  
(Application of Accounting Standard for Business Combination, etc.)

"Accounting Standard for Business Combination" (Corporate Accounting Standard No. 21 of September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (Corporate Accounting Standard No. 22 of September 13, 2013), and "Accounting Standard for Business Divestitures" (Corporate Accounting Standard No. 7 of September 13, 2013) have been applied to the Group's accounting method since the first quarter consolidated fiscal period, and therefore balance amount due to change in equity interest which the Group has in its subsidiaries in case of continuous control over them is allocated as capital surplus and expenses related to acquisition are allocated as having been incurred during the consolidated fiscal year during which such acquisition took place. With respect to business combination to be carried out after the beginning of the first quarter consolidated fiscal period, accounting method has been revised so that allocation amount of acquisition cost readjusted due to ascertainment of provisional accounting treatment should be reflected on the quarterly consolidated financial statements for the quarterly consolidated fiscal period during which relevant business combination took place. In addition, the manner in which quarterly net profit and others are represented has been revised; and reference to "minority shareholders" has been changed to as "non-controlling shareholders". In order to reflect such changes in representation, quarterly consolidated financial statements for the second quarter of the previous consolidated cumulative fiscal period and consolidated financial statements for the previous consolidated fiscal year were reconstructed accordingly.

Application of Accounting Standards for Business Combination and for others are in compliance with the transitional treatments as set out in Accounting Standard for Business Combination, Sec. 58-2 (4), Accounting Standard for Consolidated Financial Statements, Sec. 44-5 (4), and Accounting Standard for Business Divestitures, Sec. 57-4 (4), having been applied since the beginning of the first quarter consolidated fiscal period and onwards.

These have no effect on the Group's loss/profit.

**3. Summary of Important Information for Going Concern Assumption**

Not applicable.

**4. Quarterly Consolidated Financial Statements**

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen; △ means decrease)

|  | Previous consolidated<br>fiscal year<br>(March 31, 2015) | Current second quarter<br>consolidated fiscal period<br>(September 30, 2015) |
|--|--|--|
| <b>Assets</b>                              |  |  |
| <b>Current assets</b>                      |  |  |
| Cash and deposits                          | 5,532,308  | 8,685,404  |
| Accounts receivable - trade                | 541,833  | 564,465  |
| Merchandise                                | 36,395   | 37,579   |
| Raw materials and supplies                 | 651,647  | 703,000  |
| Deferred tax assets                        | 250,648  | 192,523  |
| Other                                      | 514,238  | 669,358  |
| Allowance for doubtful accounts            | △477   | —  |
| <b>Total current assets</b>                | <b>7,526,595</b>   | <b>10,852,332</b>  |
| <b>Non-current assets</b>                  |  |  |
| <b>Property, plant and equipment</b>       |  |  |
| Buildings, net                             | 2,522,630  | 2,521,128  |
| Land                                       | 4,742,506  | 4,742,506  |
| Other, net                                 | 2,104,254  | 2,205,666  |
| <b>Total property, plant and equipment</b> | <b>9,369,391</b>   | <b>9,469,302</b>   |
| <b>Intangible assets</b>                   |  |  |
| Goodwill                                   | 1,206,282  | 1,161,328  |
| Other                                      | 822,990  | 804,429  |
| <b>Total intangible assets</b>             | <b>2,029,273</b>   | <b>1,965,758</b>   |
| <b>Investment and other assets</b>         |  |  |
| Investment securities                      | 822,623  | 840,121  |
| Long-term loans receivable                 | 698,913  | 760,890  |
| Guarantee deposits                         | 3,051,899  | 3,058,922  |
| Deferred tax assets                        | 401,559  | 394,949  |
| Other                                      | 383,435  | 483,744  |
| Allowance for doubtful accounts            | △14,665  | △14,294  |
| <b>Total investments and other assets</b>  | <b>5,343,765</b>   | <b>5,524,334</b>   |
| <b>Total non-current assets</b>            | <b>16,742,431</b>  | <b>16,959,394</b>  |
| Deferred assets                            | 3,259  | 1,954  |
| <b>Total assets</b>                        | <b>24,272,286</b>  | <b>27,813,681</b>  |

(Thousand yen; △ means decrease)

|   | Previous consolidated<br>fiscal year<br>(March 31, 2015) | Current second quarter<br>consolidated fiscal period<br>(September 30, 2015) |
|---|--|--|
| <b>Liabilities</b>                                    |  |  |
| Current liabilities                                   |  |  |
| Accounts payable - trade                              | 1,111,667  | 1,130,850  |
| Current portion of bonds                              | 100,000  | 100,000  |
| Current portion of long-term loans payable            | 2,403,186  | 2,416,500  |
| Accounts payable-other                                | 1,686,382  | 1,671,730  |
| Income taxes payable                                  | 297,104  | 277,629  |
| Provision for bonuses                                 | 471,966  | 317,089  |
| Other   | 1,214,125  | 838,535  |
| Total current liabilities                             | 7,284,433  | 6,752,335  |
| Non-current liabilities                               |  |  |
| Bonds payable   | 50,000   | —  |
| Long-term loans payable                               | 4,398,835  | 4,083,643  |
| Deferred tax liabilities for land revaluation         | 289,282  | 289,282  |
| Deferred tax liabilities                              | 84,719   | 81,342   |
| Provision for directors' retirement benefits          | 31,403   | 29,578   |
| Asset retirement obligations                          | 478,446  | 492,311  |
| Other   | 1,198,225  | 1,263,199  |
| Total non-current liabilities                         | 6,530,912  | 6,239,357  |
| Total liabilities                                     | 13,815,345   | 12,991,692   |
| <b>Net assets</b>                                     |  |  |
| Shareholders' equity                                  |  |  |
| Capital stock   | 6,361,756  | 8,532,856  |
| Capital surplus                                       | 2,810,575  | 4,981,675  |
| Retained earnings                                     | 1,535,148  | 1,576,845  |
| Treasury shares                                       | △129   | △129   |
| Total shareholders' equity                            | 10,707,350   | 15,091,248   |
| Accumulated other comprehensive income                |  |  |
| Valuation difference on available-for-sale securities | 228,418  | 225,943  |
| Revaluation reserve for land                          | △614,436   | △614,436   |
| Total accumulated other comprehensive income          | △386,018   | △388,492   |
| Non-controlling interests                             | 135,607  | 119,232  |
| Total net assets                                      | 10,456,940   | 14,821,988   |
| Total liabilities and net assets                      | 24,272,286   | 27,813,681   |



(2) Quarterly Consolidated Statements of Income and Statement of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(For the second quarter consolidated cumulative period)

(Thousand yen; △ means decrease)

|   | Previous second quarter<br>consolidated cumulative period<br>(April 1, 2014<br>- September 30, 2014) | Current second quarter<br>consolidated cumulative period<br>(April 1, 2015<br>- September 30, 2015) |
|---|--|---|
| Net sales   | 18,647,730   | 19,704,981  |
| Cost of sales   | 6,358,194  | 6,745,579   |
| Gross profit  | 12,289,536   | 12,959,401  |
| Selling, general and administrative expenses            | 11,732,551   | 12,455,178  |
| Operating income  | 556,984  | 504,223   |
| Non-operating income                                    |  |   |
| Interest income   | 6,401  | 6,881   |
| Dividend income   | 8,602  | 8,938   |
| House rent income                                       | 51,021   | 51,020  |
| Foreign exchange gains                                  | 62,048   | —   |
| Miscellaneous income                                    | 36,834   | 25,098  |
| Total non-operating income                              | 164,907  | 91,938  |
| Non-operating expenses                                  |  |   |
| Interest expenses                                       | 79,512   | 70,857  |
| Rent expenses on real estates                           | 41,914   | 41,320  |
| Share issuance cost                                     | —  | 28,261  |
| Miscellaneous loss                                      | 16,337   | 27,625  |
| Total non-operating expenses                            | 137,764  | 168,064   |
| Ordinary income   | 584,127  | 428,097   |
| Extraordinary income                                    |  |   |
| Gain on sales of non-current assets                     | 4,129  | —   |
| Total extraordinary income                              | 4,129  | —   |
| Extraordinary losses                                    |  |   |
| Loss on retirement of non-current assets                | 8,905  | 8,423   |
| Loss on valuation of investment securities              | 26,084   | —   |
| Loss on cancellation of rental contracts                | 2,400  | —   |
| Total extraordinary losses                              | 37,390   | 8,423   |
| Income before income taxes and minority interests       | 550,866  | 419,674   |
| Income taxes - current                                  | 196,292  | 190,774   |
| Income taxes - deferred                                 | 45,153   | 62,532  |
| Total income taxes                                      | 241,446  | 253,307   |
| Profit  | 309,420  | 166,367   |
| Profit (loss) attributable to non-controlling interests | 3,540  | △16,374   |
| Profit attributable to owners of parent                 | 305,879  | 182,742   |

(Quarterly Consolidated Statement of Comprehensive Income)  
(For the second quarter consolidated cumulative period)

|  | (Thousand yen; △ means decrease)  |  |
|--|---|--|
|  | Previous second quarter<br>consolidated cumulative<br>period<br>(April 1, 2014<br>- September 30, 2014) | Current second quarter<br>consolidated cumulative<br>period<br>(April 1, 2015<br>- September 30, 2015) |
| Profit   | 309,420   | 166,367  |
| Other comprehensive income                                     |   |  |
| Valuation difference on available-for-sale securities          | 32,113  | △2,474   |
| Total other comprehensive income                               | 32,113  | △2,474   |
| Comprehensive income   | 341,533   | 163,893  |
| (detail)   |   |  |
| Comprehensive income attributable to owners of parent          | 337,993   | 180,267  |
| Comprehensive income attributable to non-controlling interests | 3,540   | △16,374  |

## (3) Quarterly Consolidated Cash flow Statement

(Thousand yen;  $\Delta$  means decrease)

|   | Previous second<br>quarter consolidated<br>cumulative period<br>(April 1, 2014 -<br>September 30, 2014) | Current second<br>quarter consolidated<br>cumulative period<br>(April 1, 2015 -<br>September 30, 2015) |
|---|---|--|
| <b>Cash flow from operating activities</b>                          |   |  |
| Income before income taxes and minority interests                   | 550,866   | 419,674  |
| Depreciation  | 626,228   | 638,871  |
| Amortization of goodwill  | 44,954  | 44,954   |
| Increase (decrease) in provision for bonuses                        | $\Delta$ 104,240  | $\Delta$ 154,877   |
| Increase (decrease) in allowance for doubtful accounts              | $\Delta$ 1,007  | $\Delta$ 848   |
| Increase (decrease) in provision for directors' retirement benefits | —   | $\Delta$ 1,825   |
| Interest and dividend income  | $\Delta$ 15,003   | $\Delta$ 15,819  |
| Interest expenses   | 79,512  | 70,857   |
| Loss on valuation of investment securities                          | 26,084  | —  |
| Loss (gain) on sales of property, plant and equipment               | $\Delta$ 4,129  | —  |
| Loss on retirement of property, plant and equipment                 | 8,905   | 8,423  |
| Loss on cancellation of rental contracts                            | 2,400   | —  |
| Decrease (increase) in notes and accounts receivable - trade        | $\Delta$ 3,276  | $\Delta$ 22,632  |
| Decrease (increase) in inventories                                  | 45,023  | $\Delta$ 52,536  |
| Increase (decrease) in notes and accounts payable - trade           | $\Delta$ 120,503  | 19,183   |
| Increase (decrease) in accrued consumption taxes                    | 215,720   | $\Delta$ 388,473   |
| Increase (decrease) in accounts payable - other                     | $\Delta$ 175,589  | $\Delta$ 15,473  |
| Other, net  | $\Delta$ 49,482   | $\Delta$ 164,069   |
| Subtotal  | 1,126,465   | 385,408  |
| Interest and dividends income received                              | 8,440   | 8,805  |
| Interest expenses paid  | $\Delta$ 79,155   | $\Delta$ 72,038  |
| Income taxes paid   | $\Delta$ 184,742  | $\Delta$ 273,122   |
| Net cash provided by (used in) operating activities                 | 871,007   | 49,052   |
| <b>Cash flow from investing activities</b>                          |   |  |
| Payments into time deposits   | —   | $\Delta$ 1,000,000   |
| Purchase of property, plant and equipment                           | $\Delta$ 425,624  | $\Delta$ 424,319   |
| Proceeds from sales of property, plant and equipment                | 4,239   | —  |
| Purchase of investment securities                                   | $\Delta$ 18,582   | $\Delta$ 21,147  |
| Purchase of intangible assets                                       | $\Delta$ 90,119   | $\Delta$ 29,930  |
| Payments for guarantee deposits                                     | $\Delta$ 42,663   | $\Delta$ 54,806  |
| Proceeds from collection of guarantee deposits                      | 85,491  | 42,203   |
| Payments of construction assistance fund receivables                | $\Delta$ 65,000   | $\Delta$ 168,000   |
| Collection of construction assistance fund receivables              | 44,211  | 47,484   |
| Other, net  | $\Delta$ 26,895   | $\Delta$ 75,720  |
| Net cash provided by (used in) investing activities                 | $\Delta$ 534,944  | $\Delta$ 1,684,235   |
| <b>Cash flows from financing activities</b>                         |   |  |
| Proceeds from long-term loans payable                               | 800,000   | 1,000,000  |
| Repayments of long-term loans payable                               | $\Delta$ 1,443,463  | $\Delta$ 1,302,162   |
| Repayments of finance lease obligations                             | $\Delta$ 89,457   | $\Delta$ 106,749   |
| Redemption of bonds   | $\Delta$ 50,000   | $\Delta$ 50,000  |
| Proceeds from issuance of common shares                             | —   | 4,313,938  |
| Cash dividends paid   | $\Delta$ 84,626   | $\Delta$ 141,044   |
| Net cash provided by (used in) financing activities                 | $\Delta$ 867,547  | 3,713,981  |
| Effect of exchange rate change on cash and cash equivalents         | 11,465  | 74,296   |
| Net increase (decrease) in cash and cash equivalents                | $\Delta$ 520,020  | 2,153,095  |
| Cash and cash equivalents at beginning of period                    | 5,533,179   | 5,532,308  |
| Cash and cash equivalents at the end of period                      | 5,013,159   | 7,685,404  |

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company has its capital stock and capital surplus increased by 2,171,000,000 yen, respectively, due to capital expansion through public offering, the due date of payment of which was June 1, 2015.

(Segment Information, etc.)

The Group is a single segment of food service business and therefore description of segment information, etc. is omitted.