May 15, 2015

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (FY3/15)

[Japanese GAAP]

Company name: OHSHO FOOD SERVICE CORP. Listing: Tokyo Stock Exchange, First Section
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Scheduled date of Annual General Meeting of Shareholders: June 26, 2015
Scheduled date of payment of dividend: June 29, 2015
Scheduled date of filing of Annual Securities Report: June 26, 2015
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Apr. 1, 2014 – Mar. 31, 2015)

(1) Consolidated results of operations (Percentages for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2015	75,820	(0.6)	6,018	(14.0)	6,360	(12.0)	3,675	(15.0)
Fiscal year ended Mar. 31, 2014	76,281	2.6	6,999	(20.5)	7,228	(20.4)	4,325	(12.2)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2015: 4,733 (down 1.3%)
Fiscal year ended Mar. 31, 2014: 4,797 (down 6.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2015	186.78	-	8.7	10.1	7.9
Fiscal year ended Mar. 31, 2014	214.28	-	10.7	11.9	9.2

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2015: - Fiscal year ended Mar. 31, 2014: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2015	63,848	42,596	66.7	2,174.84
As of Mar. 31, 2014	61,938	42,158	68.1	2,088.50

Reference: Shareholders' equity (million yen) As of Mar. 31, 2015: 42,596 As of Mar. 31, 2014: 42,158

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Mar. 31, 2015	7,723	(1,891)	(4,408)	14,835
Fiscal year ended Mar. 31, 2014	7,783	(3,110)	(1,925)	13,411

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2014	-	40.00	-	60.00	100.00	2,018	46.7	5.0
Fiscal year ended Mar. 31, 2015	-	50.00	-	50.00	100.00	1,958	53.5	4.7
Fiscal year ending Mar. 31, 2016 (forecasts)	-	50.00	-	50.00	100.00		45.7	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	-	-	-	-	-	-	-	-	-
Full year	-	-	-	-	-	-	-	-	-

Note: At the extraordinary shareholders meeting held on October 31, 2014, a resolution was approved to dissolve Dalian Ohsho Food Service Co., Ltd. As this was the only consolidated subsidiary, the financial statements will be changed from a consolidated to non-consolidated basis in the fiscal year that ending on March 31, 2016. Consequently, only a non-consolidated forecast is shown for the fiscal year ending on March 31, 2016.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in the scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting-based estimates: None
4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2015: 23,286,230 shares As of Mar. 31, 2014: 23,286,230 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2015: 3,700,039 shares As of Mar. 31, 2014: 3,099,964 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2015: 19,678,534 shares Fiscal year ended Mar. 31, 2014: 20,186,356 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Apr. 1, 2014 – Mar. 31, 2015)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2015	75,772	(0.6)	6,083	(13.3)	6,425	(11.4)	3,683	(14.6)
Fiscal year ended Mar. 31, 2014	76,222	2.6	7,018	(20.4)	7,249	(20.3)	4,312	(12.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2015	187.19	-
Fiscal year ended Mar. 31, 2014	213.64	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2015	63,554	42,309	66.6	2,160.19
As of Mar. 31, 2014	62,021	41,978	67.7	2,079.54

Reference: Shareholders' equity (million yen) As of Mar. 31, 2015: 42,309 As of Mar. 31, 2014: 41,978

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)

(Percentages represent year-on-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	38,210	0.7	3,040	14.7	1,871	27.9	95.57
Full year	77,717	2.6	6,764	5.3	4,281	16.2	218.61

* Information regarding the implementation of audit procedures

This summary report is exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for these consolidated financial statements have not been completed.

* Cautionary statement with respect to forward-looking statements, and other special items

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company's management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" on page 2 for forecast assumptions and notes of caution for usage.

The Company plans to hold the following financial results meetings for institutional investors and analysts. Materials to be distributed at these events will be available on the Company's website immediately thereafter.

- Monday, May 18, 2015: Financial results meetings for institutional investors and analysts (Osaka)
- Thursday, May 21, 2015: Financial results meetings for institutional investors and analysts (Tokyo)

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

Summary of consolidated results of operations			
	Amount (Millions of yen)	% to sales	Year-on-year change
Net sales	75,820	100.0%	Down 0.6%
Operating income	6,018	7.9%	Down 14.0%
Ordinary income	6,360	8.4%	Down 12.0%
Net income	3,675	4.8%	Down 15.0%
・ The number of customers at all stores (directly operated stores): down 4.2% YoY (down 7.4% at existing stores) ・ The existing-store sales (directly operated stores): down 3.6% YoY			

In the fiscal year that ended on March 31, 2015, the U.S. economy continued to recover but the European economy remained sluggish. In China, Russia and other emerging countries, economic growth slowed. Stock prices worldwide were volatile due to a variety of geopolitical risks. Major events included the umbrella revolution in Hong Kong, the prolonged turmoil in Ukraine that included the downing of a Malaysian Airlines aircraft, and the impact of ISIL on the tourism industry. These events make the outlook for the global economy uncertain.

In Japan, long-term interest rates reached a new low against a backdrop of economic and monetary initiatives by the Japanese government. As the yen fell below 120 yen to the dollar for the first time in about seven years, earnings at exporting companies in Japan increased and the number of foreign tourists in Japan rose to a record high. As a result, the Nikkei Average posted its largest annual increase in nine years. There are growing expectations for the stock market rally to continue. One reason is the decision by the Government Pension Investment Fund to raise its investment portfolio weighting of Japanese stocks from 12% to 25%. Another reason is the submission of recommendations concerning a Corporate Governance Code by the Financial Services Agency and Tokyo Stock Exchange. On the other hand, Japan’s trade deficit was negative for the fourth consecutive year in 2014 and rose to an all-time high for the third consecutive year. Furthermore, the real wage index was down for the third consecutive year. The Japanese government has decided to push back the next consumption tax hike and there is an improvement in employment statistics. However, the recovery in consumer spending is sluggish and there is still no reason for optimism about the economic outlook in Japan.

In Japan’s restaurant industry, consumer spending was weak mainly because of higher prices caused by persistently unfavorable weather and the weaker yen and by the April 2014 consumption tax hike. In addition, there was even faster growth in competition from convenience stores and other companies outside the restaurant industry. There were also challenges from renewed risks involving with China, food contamination scandals, and increasing risks involving the import of food ingredients. Consumers have become much more concerned about food safety and hygiene as a result. In addition, there is an urgent need in Japan to deal with the bad workplace customs of working long hours and using only part of annual paid leave. The price of pork reached the highest level in 20 years and there were big increases in the cost of other ingredients as well as for utilities. Moreover, Japan’s labor shortage is causing the cost of labor to climb and raising risks associated with recruiting workers. Due to the outlook for more increases in expenses for a variety of reasons, restaurant companies in Japan will have to raise prices again as they cope with a difficult operating environment.

Ohsho Food Service is dedicated to the happiness of all employees and customer satisfaction. As one way to eliminate Japan’s bad workplace customs, we are improving our workplace environments by establishing days when restaurants are closed and reducing late-night hours and operating hours on New Year’s Eve and Day. Furthermore, we gave employees a 10,000 yen wage increase, four times higher than the labor union request, and made payments for all unpaid wages for overtime. By taking actions like these, our goal is strict compliance with Japan’s agreement for overtime and holiday work under Article 36 so that our employees can give customers highly effective and efficient services (we reduced discount sales) during regular working hours. There were also

measures to establish a renewed corporate philosophy and to diversify our workforce, such as by recruiting more female employees. We strengthened our operating framework by revising our personnel system, altering our organizational structure, terminating our subsidiary in China, establishing a job rotation system for directors, and establishing the position of corporate officer. All these actions are aimed at energizing our operations, training employees so they can surpass their instructors, and creating restaurant operations that are unlike those of any competitor. In addition, we announced voluntary executive director demotions, submitted a proposal to shareholders for a cut in directors' compensation for the second consecutive year, and submitted a proposal to reduce the compensation of corporate auditors. We also established the target of returning 100% of earnings to shareholders. Collectively, there were many initiatives during the fiscal year that reflect our foresight regarding our operations several years from now.

Ohsho Food Service has a strong commitment to corporate social responsibility. We received a Medal of Honor with Dark Blue Ribbon for the assistance we provided following the severe flooding in Kyoto prefecture in the fiscal year that ended in March 2014. In September 2014, we provided assistance to the victims of a devastating landslide in Hiroshima prefecture. We raised prices in October and at the same time took on the challenge of supplying customers with products that have substantial added value. One step was the decision to use exclusively ingredients from Japan for the primary ingredients of gyoza and noodles. In February 2015, we started construction of the Higashi Matsuyama Plant, which will be our flagship production facility. We have also been investing in digital technology. All directly operated stores have tablets to make operations more efficient and make effective use of information. Since our establishment, our operations have been distinguished by the commitment to making progress as a "theme park for food." This is why we have pursued a strategy of using Chinese cooking techniques to create a variety of side menu items that incorporate elements of French, Italian, Turkish, Japanese and other cuisines. In 2015, we used the slogan "A More Flavorful Japan." We increased measures to increase the amount of food that is made in Japan, such as by selling Japanese ramen made entirely of made-in-Japan ingredients. Furthermore, we continued to concentrate on more advances with friendly and speedy service that also meets customers' expectations for meals that are safe, hygienic and healthy.

Regarding the store network in the current fiscal year, 15 directly operated stores and 12 franchised stores were opened particularly in the Kanto and Kansai areas, and six directly operated stores and four franchised stores were closed. The result was a total network of 470 directly operated stores and 232 franchised stores at the end of the current fiscal year.

1) Consolidated sales decreased 461 million yen (0.6% year on year) to 75,820 million yen.

2) Operating income decreased 981 million yen (14.0% year on year) to 6,018 million yen. Although earnings benefited from new store openings, expenses were higher mainly because of the high cost of ingredients and the expense for wages due.

3) Ordinary income decreased 868 million yen (12.0% year on year) to 6,360 million yen, due to the above and other reasons.

4) Net income decreased 649 million yen (15.0% year on year) to 3,675 million yen, due to the above and other reasons.

Forecasts for the new fiscal year

(Millions of yen)

	FY3/15	FY3/16 (forecasts)	Change (amount)	Change (%)
Net sales	75,772	77,717	1,945	2.6
Operating income	6,083	6,570	487	8.0
Ordinary income	6,425	6,764	338	5.3
Net income	3,683	4,281	598	16.2
Net income per share (Yen)	187.19	218.61	-	-

Earnings at Japanese companies continue to improve because of the low cost of crude oil and the yen's weakness. Signs of an economic recovery are appearing as salary increases and other improvements in wages point to more growth in real wages. However, no significant change is anticipated in the defensive stance of consumers. Additionally, the weaker yen is pushing up the cost of raw materials and the cost of labor is rising because of the decline in Japan's working age population. The global economic outlook is unclear, too. As a result, we believe that the operating environment will remain challenging. We will continue to be guided by our corporate philosophy while basing operations on the slogan "A More Flavorful Japan." Meeting customers' expectations for food that is safe and healthy is our goal. In the fiscal year ending in March 2016, we plan to open 23 directly operated stores and 10 franchised stores and close one directly operated store and one franchised store. Due to the expected increase in the number of locations, we forecast a 2.6% increase in sales to 77,717 million yen, an 8.0% increase in operating income to 6,570 million yen, a 5.3% increase in ordinary income to 6,764 million yen, and a 16.2% increase in net income to 4,281 million yen.

Our performance and other aspects of our operations may be change for a number of reasons, but we are determined to achieve this forecast for sales and earnings.

(2) Analysis of Financial Position

Assets

Total assets at the end of the current fiscal year was 63,848 million yen, up 1,909 million yen (3.1%) from the end of the previous fiscal year. The main factors were as follows.

Current assets increased 1,680 million yen (11.1%) to 16,804 million yen, mainly due to an increase in cash and deposits.

Non-current assets increased 228 million yen (0.5%) to 47,043 million yen. This was mainly attributable to an increase in investment securities with rising market values.

Liabilities

Total liabilities at the end of the current fiscal year was 21,251 million yen, up 1,471 million yen (7.4%) from the end of the previous fiscal year. The main factors were as follows.

Current liabilities increased 2,413 million yen (20.2%) to 14,386 million yen. This was mainly attributable to an increase in current portion of long-term loans payable.

Non-current liabilities decreased 942 million yen (12.1%) to 6,864 million yen, mainly due to a decrease in long-term loans payable. The balance of loans payable at the end of the current fiscal year was 9,849 million yen.

Net assets

Net assets at the end of the current fiscal year was 42,596 million yen, up 437 million yen (1.0%) from the end of the previous fiscal year. This was mainly due to a decrease in cash dividends paid of 2,190 million yen, and increases in net income of 3,675 million yen and in valuation difference on available-for-sale securities.
As a result, the equity ratio declined from 68.1% at the end of the previous fiscal year, to 66.7%.

Cash flows

Cash and cash equivalents (hereinafter, "net cash") increased 1,423 million yen from the end of the previous fiscal year to 14,835 million yen at the end of the current fiscal year.

Cash flows from operating activities

Net cash provided by operating activities decreased 60 million yen (0.8% year-on-year) to 7,723 million yen. This was mainly due to a decrease in income before income taxes and minority interests.

The main inflows include income before income taxes and minority interests of 6,132 million yen and

depreciation of 3,368 million yen. The main outflows include income taxes paid of 3,048 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 1,218 million yen (39.2% year-on-year) to 1,891 million yen. This was mainly due to a decrease in outlays for the purchase of property, plant and equipment.

The main factors include outlays of 2,367 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities increased 2,482 million yen (128.9% year-on-year) to 4,408 million yen. This was mainly due to an increase in outlays for the purchase of treasury shares.

The main outflows include the purchase of treasury shares of 2,295 million yen and cash dividends paid of 2,190 million yen.

Reference: Cash flow indicators

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15
Equity ratio (%)	58.5	62.7	65.8	68.1	66.7
Equity ratio based on market value (%)	74.2	72.1	99.8	113.1	131.4
Interest-bearing debt to cash flow ratio (years)	1.9	1.2	1.2	1.3	1.3
Interest coverage ratio (times)	91.1	149.4	170.9	160.5	162.8

Notes: Equity ratio: Shareholders' equity / Total assets
Equity ratio based on market value: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
Interest coverage ratio: Operating cash flows / Interest payments

* All indicators are calculated based on consolidated figures.
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Cash flows are based on net cash provided by operating activities in the consolidated statement of cash flows.
* Interest-bearing debt is calculated using total loans-payable on the consolidated balance sheet that incurs interest. Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.

(3) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The long-term distribution of earnings to shareholders is one of our highest priorities. Our basic policy is to pay a dividend that reflects results of operations while increasing retained earnings. We use retained earnings for making our operations even more powerful, primarily at Gyoza-no-Ohsho restaurants, and funding upcoming activities in an environment where competition in the restaurant industry is becoming more intense. The dividend payout target is 40% and our policy is to pay interim and year-end dividends. Starting with the fiscal year ending in March 2016, we are implementing a medium-term equity policy that includes reinforcing our profit structure while using equity more efficiently as we hold down the growth in net assets.

Based on the policy of returning all earnings to shareholders, our dividend payout ratio is more than 40% and we purchase treasury stock to achieve this 100% distribution goal.

Our policy for treasury stock purchases is to make these purchases in a flexible manner that takes into account our stock's market price and liquidity, the number of individual shareholders, and all other applicable factors.

(4) Important Information about Going Concern Assumption

Not applicable.

2. Management Policies

(1) Basic Management Policy

Ohsho Food Service is guided by the following corporate philosophy:

We are dedicated to achieving the happiness of our employees and contributing to society by always basing our actions on –

The relentless pursuit of progress regarding
Diversity as an organization of men and women
Even better flavors and healthy food
Greater food confidence, safety and hygiene
And customer services that are pleasant and speedy.
We will always act with sincerity
Constantly work on improving our skills
And create customer satisfaction.

We earn profits from effective and efficient operations that comply with laws and regulations and social and business ethics. We use these earnings to create workplaces that bring more happiness to our employees and constantly achieve satisfaction for all stakeholders. For the transparency and fairness of decision making, we place importance on corporate governance that can use quick and bold decisions to increase the vitality of our management. Our goals are sustained business growth and long-term growth in corporate value. We have directly operated restaurants and a system for employees to become independent by operating their own Ohsho restaurants. There are also franchised restaurants with operators having deep roots in their respective communities. We use this base of mutual benefits for M&A and alliances for sales, production, new business development and other activities. We want every restaurant to have a close relationship with the area it serves through constant progress as a source of healthy food every day for breakfast, lunch, dinner and other meals. We are committed to achieving growth in corporate value by operating a restaurant chain that can build these relationships and contribute to the advancement of communities and regions.

(2) Performance Targets

The priorities of Ohsho Food Service are maintaining a proper cost of sales ratio and the managing expenses. As a result, the most important performance indicator is the operating margin, which is a basic indicator of earnings. Currently, our target is an operating margin of at least 10% and we plan to concentrate on taking the actions needed to reach this goal. Our medium-term policy for shareholder distributions is to maintain a dividend payout ratio of at least 40% and an overall profit distribution ratio of 100%.

(3) Medium- and Long-term Business Strategy and Challenges

We believe the operating environment in Japan’s restaurant industry will remain difficult. There are many challenges: the market is shrinking as Japan’s population ages and declines; there is growing competition from convenience stores and other companies outside the restaurant sector; Japan’s working-age population is falling; the cost of raw materials is climbing; consumers’ needs are becoming more diverse; people are increasing their demands concerning food that is safe, hygienic and healthy; and consumers are likely to become more reluctant to spend their money as they look ahead to a consumption tax hike to 10%.

Ohsho Food Service will continue to take many actions based on the corporate philosophy. We are determined to eliminate negative workplace customs. Another goal is more progress for making our restaurants “food theme parks.” We will use Chinese cuisine techniques to continue implementing our side menu strategy of offering French, Italian, Turkish, Japanese and other items. We want to create customer satisfaction and attract more of the steadily increasing number of foreign tourists in Japan. We will establish an effective and efficient organization

with emphasis on growth through the use of business foresight. Training employees to give them skills that surpass their instructors is one more objective. For these reasons, we are concentrating on the following activities and goals.

1) Opening more restaurants

Our goal is to increase the number of restaurants in Japan to 800 by March 2018. We plan to increase the pace of restaurant openings, mainly in eastern Japan, with measures that include assisting employees become independent restaurant operators. We are studying ways to make efficient investments in restaurants that match the characteristics of their locations, whether in a large city or other area. For locations where rent is high, we are creating a multi-level dining area and kitchen configuration as an alternative to the single-floor layout. We are also developing an urban restaurant format requiring fewer employees, which would require investments in equipment that reflect the demands of restaurant operators. Establishing uniform restaurant formats for more effective and efficient purchases of kitchen and other equipment is one more ongoing initiative.

There are many other activities for restaurant openings. Our plans include M&A based on mutual benefits, restaurants inside hotels, and restaurants at shopping malls and other large retail facilities. We are also considering franchising agreements with nationwide or regional retail store operators for a food sales business that could include a shop specializing in gyoza. Furthermore, we are thinking about starting operations in Europe, North America and other regions outside Japan. Overseas operations have many potential benefits: becoming a new source of growth after we achieve nationwide coverage in Japan; increasing employee motivation; invigorating our operations; better enabling us to recruit and retain talented people; increasing the diversity of our workforce; establishing a new image for our brand; targeting new customer segments; and creating new restaurant formats.

2) Merchandise strategy

We will develop new menu items and use sales promotion activities as we provide original menu lineups to both our directly operated and franchised restaurants. These activities will include revisions, additions and deletions regarding current menu items, with a focus on using ingredients that are made in Japan. Based on our food theme park concept, we will develop Ohsho-style menu items incorporating the cuisines of France, Italy, Turkey, Japan and other countries. We will also create menu items that target women and seniors as well as premium menu items. Creating a second flagship product is another goal. We are working on ideas for breakfast and dinner menu items, too. Overall, development activities are under way to reflect a variety of regional characteristics and customer needs. Our strategic objective is to work with our factories to create highly original menu items with added value that can contribute to our earnings.

3) Shifting the mindset of all employees to knowledge-based work

We have started using a system that requires restaurant managers to establish medium and long-term targets. The aim is to upgrade management skills in two areas: the determination of these performance and operating targets and the training of people who can be the next generation of managers. There will also be internal training that uses primarily restaurant managers and other experienced employees. We will use a flexible training program that matches the demands of restaurants. We will modify the current program for advancing the careers of part-time workers to make this a part-time worker training tool. Our plans include a new personnel system as well. We will use all these activities to strengthen our education and training programs. Area managers will provide effective and efficient consulting for improving training at core restaurants that serve as models for others. We will use restaurant manager and other manuals to establish uniform work processes, establish schedules and raise efficiency. One more goal is reinforcing the understanding and commitment of employees concerning compliance with laws and regulations, social guidelines for proper behavior, and business ethics.

4) Recruiting and retaining employees

We plan to strengthen recruiting activities based on a new personnel system. We need to hire people consistently and retain our employees in order to operate a larger number of restaurants and fill openings as employees leave. We want Ohsho Food Service to be recognized by the public and families of our workers as a place that can make employees happy. To earn this recognition, we will increase measures for compliance, improving workplace environments and compensating people based on their contributions. Furthermore, we will consider measures to deal with the labor shortage problem in Japan. Examples include a system to retain workers after they reach the mandatory retirement age and a method for using seniors and foreigners. Reexamining the duties of restaurant managers is another activity. We plan to make greater use of assistant managers at restaurants of a sufficient size for a better working environment and use a new personnel system.

5) Central kitchens

Using preliminary processes to bring out all the flavors of ingredients is the basic role of our central kitchens. We are examining ways to reduce cooking and other tasks at restaurants and make these tasks more efficient, perform preliminary processing for healthy and hygienic ingredients, prepare seasonings, and do other procedures. For the oversight of employee productivity, we plan to establish indicators and frameworks that facilitate visualization of performance. Other activities are aimed at cost target management for each item we produce and tightening cost controls for ingredients and other materials. Reinforcing risk assessments and establishing and operating a business continuity plan that includes training the next generation of key personnel are other goals. All these initiatives will back up our uncompromising commitment to central kitchen excellence in six areas: neatness, orderliness, cleaning activities, hygiene, self-discipline and security).

At our flagship Higashi Matsuyama Factory, we plan to establish a production capability for supplying all of our restaurants. Additionally, we plan to create a fully automated production and shipping operation at this factory for products with a preparation time of more than five minutes. We will also establish a molding-style gyoza supply system. Creating a food development and production system with halal certification (compliance with Islamic law) is another goal. There will be production and distribution improvements to cut costs. We will use a system of mutual checks and balances between the Purchasing Department and R&C Division. We expect this to yield the benefits of centralized oversight of all factories and flexible and speedy purchasing activities that reflect market prices and the freshness and quality of each item. We want to reinforce our reputation as a restaurant chain that customers can select with confidence regarding food safety.

6) Environmental issues

We have a firm commitment to complying with the Food Recycling Law, Energy Conservation Law, Global Warming Prevention Law and other laws and regulations concerning the environment. In response to the electricity shortage in Japan, we have electricity conservation, generation and storage activities. We plan to achieve more growth in corporate value by fulfilling our responsibilities to society.

7) Financial soundness

For the stable procurement of funds, we will use effectively use the ability to procure funds from financial institutions that we currently use and take other actions, such as the establishment of overdraft credit lines to meet a sudden need for funds. This gives us the financial soundness to take advantage of all business opportunities. In addition, we plan to build a solid foundation for our operations by reducing assets and using assets more efficiently as we make investments with more effectiveness and efficiency.

3. Basic Approach to the Selection of Accounting Standards

Due to the convergence with international accounting standards, Japanese accounting standards have a high quality and are not inferior from a global perspective. In Europe and the Americas, Japanese accounting standards are regarded as being equivalent to international accounting standards. Almost all of the stakeholders of Ohsho Food Service are in Japan and there is currently no need to procure funds outside Japan. For these reasons, we have used Japanese accounting standards in prior years.

However, we may decide to start overseas operations in the future or to conduct a mutually beneficial merger of acquisition. Furthermore, Tokyo has been selected to host the Summer Olympics in 2020. For the convenience of our future stakeholders, we believe that we must produce financial data in a format that is easier for international comparisons. Accordingly, we have decided to use international accounting standards but have not decided when to start using these standards. We are studying international standards, analyzing the gaps between these standards and Japanese accounting standards, studying the effect the change in standards will have, and examining other issues. We plan to start using international accounting standards by no later than the 2020 Tokyo Olympics.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Assets		
Current assets		
Cash and deposits	13,448	14,866
Accounts receivable-trade	233	343
Merchandise and finished goods	95	113
Raw materials	257	263
Deferred tax assets	412	465
Short-term loans receivable	71	57
Other	616	710
Allowance for doubtful accounts	(12)	(16)
Total current assets	15,123	16,804
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,860	46,298
Accumulated depreciation	(30,679)	(32,915)
Buildings and structures, net	14,180	13,382
Machinery, equipment and vehicles	2,889	2,929
Accumulated depreciation	(2,208)	(2,352)
Machinery, equipment and vehicles, net	681	577
Tools, furniture and fixtures	4,198	4,391
Accumulated depreciation	(3,455)	(3,776)
Tools, furniture and fixtures, net	742	615
Land	21,671	21,589
Construction in progress	446	928
Total property, plant and equipment	37,723	37,092
Intangible assets	48	36
Investments and other assets		
Investment securities	2,142	3,260
Long-term loans receivable	123	108
Net defined benefit asset	-	543
Deferred tax assets	2,050	1,491
Guarantee deposits	4,428	4,361
Other	354	208
Allowance for doubtful accounts	(56)	(58)
Total investments and other assets	9,043	9,915
Total non-current assets	46,815	47,043
Total assets	61,938	63,848

(Millions of yen)

	FY3/14 (As of Mar. 31, 2014)	FY3/15 (As of Mar. 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	1,953	1,770
Current portion of long-term loans payable	4,050	4,953
Income taxes payable	1,573	1,032
Provision for bonuses	623	887
Other	3,772	5,743
Total current liabilities	11,973	14,386
Non-current liabilities		
Long-term loans payable	5,721	4,896
Deferred tax liabilities for land revaluation	597	535
Net defined benefit liability	81	-
Long-term guarantee deposited	546	543
Asset retirement obligations	666	696
Other	193	193
Total non-current liabilities	7,806	6,864
Total liabilities	19,779	21,251
Net assets		
Shareholders' equity		
Capital stock	8,166	8,166
Capital surplus	9,031	9,031
Retained earnings	32,989	34,626
Treasury shares	(5,016)	(7,311)
Total shareholders' equity	45,170	44,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	795	1,684
Revaluation reserve for land	(3,987)	(3,894)
Foreign currency translation adjustment	8	14
Remeasurements of defined benefit plans	171	280
Total accumulated other comprehensive income	(3,011)	(1,915)
Total net assets	42,158	42,596
Total liabilities and net assets	61,938	63,848

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net sales	76,281	75,820
Cost of sales	23,125	22,721
Gross profit	53,156	53,099
Selling, general and administrative expenses		
Packing and transportation expenses	1,496	1,574
Advertising expenses	1,198	862
Promotion expenses	3,675	3,380
Provision of allowance for doubtful accounts	1	11
Directors' compensations	321	295
Salaries, allowances and bonuses	9,588	10,183
Other salaries	11,191	11,464
Provision for bonuses	610	866
Retirement benefit expenses	126	57
Welfare expenses	3,631	3,712
Taxes and dues	358	362
Depreciation	3,008	2,993
Rent expenses	3,781	3,911
Utilities expenses	4,402	4,528
Repair expenses	737	824
Other	2,025	2,051
Total selling, general and administrative expenses	46,156	47,080
Operating income	6,999	6,018
Non-operating income		
Interest income	7	5
Dividend income	39	45
Land and house rent received	66	68
Surrender value of directors' life insurance	-	59
Franchise chain accession fee	107	120
Compensation income	-	79
Miscellaneous income	134	121
Total non-operating income	355	499
Non-operating expenses		
Interest expenses	48	47
Rent expenses	24	24
Donation for disaster relief	10	50
Miscellaneous loss	42	35
Total non-operating expenses	126	157
Ordinary income	7,228	6,360

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Extraordinary income		
Gain on sales of non-current assets	1	5
Gain on sales of investment securities	-	64
Directors' life insurance income	632	-
Total extraordinary income	633	69
Extraordinary losses		
Loss on retirement of non-current assets	155	114
Loss on sales of non-current assets	1	9
Impairment loss	-	74
Company-sponsored funeral cost	97	-
Directors' condolence money	-	100
Total extraordinary losses	254	298
Income before income taxes and minority interests	7,607	6,132
Income taxes-current	3,303	2,512
Income taxes-deferred	(21)	(55)
Total income taxes	3,282	2,456
Income before minority interests	4,325	3,675
Net income	4,325	3,675

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Income before minority interests	4,325	3,675
Other comprehensive income		
Valuation difference on available-for-sale securities	465	888
Revaluation reserve for land	-	54
Foreign currency translation adjustment	6	5
Remeasurements of defined benefit plans, net of tax	-	108
Total other comprehensive income	471	1,057
Comprehensive income	4,797	4,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,797	4,733
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,166	9,031	30,480	(5,016)	42,662
Cumulative effects of changes in accounting policies					
Restated balance	8,166	9,031	30,480	(5,016)	42,662
Changes of items during period					
Dividends of surplus			(1,816)		(1,816)
Net income			4,325		4,325
Purchase of treasury shares				(0)	(0)
Reversal of revaluation reserve for land					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,508	(0)	2,508
Balance at end of current period	8,166	9,031	32,989	(5,016)	45,170

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	330	(3,987)	2	-	(3,654)	39,007
Cumulative effects of changes in accounting policies						-
Restated balance	330	(3,987)	2	-	(3,654)	39,007
Changes of items during period						
Dividends of surplus						(1,816)
Net income						4,325
Purchase of treasury shares						(0)
Reversal of revaluation reserve for land						-
Net changes of items other than shareholders' equity	465	-	6	171	643	643
Total changes of items during period	465	-	6	171	643	3,151
Balance at end of current period	795	(3,987)	8	171	(3,011)	42,158

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,166	9,031	32,989	(5,016)	45,170
Cumulative effects of changes in accounting policies			190		190
Restated balance	8,166	9,031	33,179	(5,016)	45,360
Changes of items during period					
Dividends of surplus			(2,190)		(2,190)
Net income			3,675		3,675
Purchase of treasury shares				(2,295)	(2,295)
Reversal of revaluation reserve for land			(38)		(38)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,446	(2,295)	(848)
Balance at end of current period	8,166	9,031	34,626	(7,311)	44,512

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	795	(3,987)	8	171	(3,011)	42,158
Cumulative effects of changes in accounting policies						190
Restated balance	795	(3,987)	8	171	(3,011)	42,349
Changes of items during period						
Dividends of surplus						(2,190)
Net income						3,675
Purchase of treasury shares						(2,295)
Reversal of revaluation reserve for land		38			38	-
Net changes of items other than shareholders' equity	888	54	5	108	1,057	1,057
Total changes of items during period	888	93	5	108	1,096	247
Balance at end of current period	1,684	(3,894)	14	280	(1,915)	42,596

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	7,607	6,132
Depreciation	3,416	3,368
Impairment loss	-	74
Increase (decrease) in allowance for doubtful accounts	(4)	6
Decrease (increase) in net defined benefit asset	-	(181)
Increase (decrease) in net defined benefit liability	(103)	-
Interest and dividend income	(47)	(50)
Loss (gain) on sales of investment securities	-	(64)
Interest expenses	48	47
Loss (gain) on sales of non-current assets	0	3
Loss on retirement of non-current assets	155	114
Directors' life insurance income	(632)	-
Company-sponsored funeral cost	97	-
Directors' condolence money	-	100
Decrease (increase) in inventories	(34)	(24)
Increase (decrease) in notes and accounts payable-trade	153	(183)
Increase (decrease) in accrued consumption taxes	11	1,061
Other, net	67	463
Subtotal	10,738	10,868
Interest and dividend income received	47	50
Interest expenses paid	(48)	(47)
Directors' life insurance income received	702	-
Payments for company-sponsored funeral cost	(97)	-
Payments for directors' condolence money	-	(100)
Income taxes paid	(3,558)	(3,048)
Net cash provided by (used in) operating activities	7,783	7,723
Cash flows from investing activities		
Decrease (increase) in time deposits	-	6
Purchase of property, plant and equipment	(3,150)	(2,367)
Proceeds from sales of property, plant and equipment	11	69
Proceeds from sales of investment securities	-	245
Payments of loans receivable	(60)	(49)
Collection of loans receivable	238	79
Payments for guarantee deposits	(169)	(94)
Other, net	20	219
Net cash provided by (used in) investing activities	(3,110)	(1,891)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(210)	-
Proceeds from long-term loans payable	5,731	5,215
Repayments of long-term loans payable	(5,629)	(5,138)
Purchase of treasury shares	(0)	(2,295)
Cash dividends paid	(1,816)	(2,190)
Net cash provided by (used in) financing activities	(1,925)	(4,408)
Effect of exchange rate change on cash and cash equivalents	4	1
Net increase (decrease) in cash and cash equivalents	2,751	1,423
Cash and cash equivalents at beginning of period	10,660	13,411
Cash and cash equivalents at end of period	13,411	14,835

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015)” from the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using the approximate number of years of expected average length of remaining service period of employees to the method using a single weighted average discount rate reflecting the estimated period and amount of benefit payment.

The application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the current fiscal year.

The result was a decrease in net defined benefit liability of 81 million yen, a newly-posted net defined benefit assets of 213 million yen, a decrease in deferred tax assets of 104 million yen, and an increase in retained earnings of 190 million yen at the beginning of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the current fiscal year is insignificant.

The effect of this change on per-share information is shown in the corresponding section.

Segment and Other Information

The Group does not provide segment information because it has only a single business segment, which is the Chinese food business.

Per-share Information

(Yen)

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net assets per share	2,088.50	2,174.84
Net income per share	214.28	186.78

Notes: 1. Diluted net income per share is not presented because there are no latent shares.

2. As noted in the section "Changes in Accounting Policies," the Company has applied the Accounting Standard for Retirement Benefits, etc. based on the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits.
   The result was an increase 9.72 yen in net assets per share in FY3/15. The effect of this change on net income per share is insignificant.

3. The basis of calculating the net income per share is as follows:

	FY3/14 (Apr. 1, 2013 – Mar. 31, 2014)	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)
Net income (Millions of yen)	4,325	3,675
Amount not attributable to common shareholders (Millions of yen)	-	-
Net income attributable to common stock (Millions of yen)	4,325	3,675
Average number of shares outstanding (Thousands shares)	20,186	19,678

Subsequent Events

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.