May 13, 2016

Summary of Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (FY3/16)

[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 28, 2016
Scheduled date of payment of dividend: June 29, 2016
Scheduled date of filing of Annual Securities Report: June 28, 2016
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. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2016	75,317	(0.6)	6,269	3.1	6,544	1.9	4,068	10.5
Fiscal year ended Mar. 31, 2015	75,722	(0.6)	6,083	(13.3)	6,425	(11.4)	3,683	(14.6)

	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, 2016	211.39	-	9.4	10.4	8.3
Fiscal year ended Mar. 31, 2015	187.19	-	8.7	10.2	8.0

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2016: - Fiscal year ended Mar. 31, 2015: -

(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, 2016	62,014	43,936	70.8	2,289.99
As of Mar. 31, 2015	63,554	42,309	66.6	2,160.19

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 43,936 As of Mar. 31, 2015: 42,309

(3) Non-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, 2016	5,770	(7,330)	(5,957)	7,306
Fiscal year ended Mar. 31, 2015	-	-	-	-

Note: Non-consolidated cash flow figures for the fiscal year ended March 31, 2015 are not presented because the Company prepared consolidated statement of cash flows for this fiscal year.

2. Dividends

	Dividend per share					Total dividends	Payout ratio	Dividend on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2015	-	50.00	-	50.00	100.00	1,958	53.4	4.7
Fiscal year ended Mar. 31, 2016	-	60.00	-	65.00	125.00	2,398	59.1	5.6
Fiscal year ending Mar. 31, 2017 (forecasts)	-	60.00	-	60.00	120.00		51.8	

Note: Breakdown of dividends for the fiscal year ended Mar. 31, 2016: Commemorative dividend: 5 yen

3. Non-consolidated Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	38,328	1.1	3,090	(5.4)	3,199	(6.5)	2,046	(4.5)	106.66
Full year	77,733	3.2	6,556	4.6	6,774	3.5	4,442	9.2	231.55

*** Notes**

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

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

(2) Number of outstanding shares (common stock)

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

As of Mar. 31, 2016:	23,286,230 shares	As of Mar. 31, 2015:	23,286,230 shares

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

As of Mar. 31, 2016:	4,100,059 shares	As of Mar. 31, 2015:	3,700,039 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016:	19,247,717 shares	Fiscal year ended Mar. 31, 2015:	19,678,534 shares

* 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 non-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 16, 2016: Financial results meetings for institutional investors and analysts (Osaka)
- Tuesday, May 17, 2016: 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 non-consolidated results of operations			
	Amount (Millions of yen)	% to sales	Year-on-year change
Net sales	75,317	100.0%	99.4%
Operating income	6,269	8.3%	103.1%
Ordinary income	6,544	8.7%	101.9%
Profit	4,068	5.4%	110.5%

- The number of customers at all stores (directly operated stores): down 4.3%* year-on-year (down 5.3%* at existing stores)
  * These are quantitative figures that take no account of the impact of shorter operating hours and the ending of discount sales on customer numbers.
- The existing-store sales (directly operated stores): down 1.8% year-on-year

During the current fiscal year, the U.S. economy steadily recovered, which prompted the Federal Reserve Bank (FRB) to raise base interest rates for the first time in nine and a half years to lift the seven-year zero interest rate policy, and the rise of FinTech that aims to revolutionize financial systems has helped boost new investments. On the other hand, the economies of China and other emerging countries slowed down, triggering a plunge in stock prices across the world, and falling crude oil prices due to an anticipated drop in demand dealt a severe blow to economies that depend heavily on natural resources. Furthermore, with issues in Europe such as Greece's debt crisis, the UK's EU referendum, and the series of terror attacks, along with the number of refugees across the world that has hit a record high, trends in the foreign exchange and consumer markets seem to remain uncertain.

In Japan, the Corporate Governance Code was launched this year, and the country's economy showed signs of further revitalization: corporate earnings and employment conditions improved; the falling crude oil prices worked to Japan's best advantage; FY2015 saw the largest-ever number of visitors to the country from overseas; the Cabinet approved proposed laws and regulations on virtual currencies (e.g., Bitcoin); the government decided to reduce the effective corporation tax rate to 29.97% in FY2016. The outlook for the economy, however, continues to warrant no optimism: rising prices due to a weakening yen, consumer anxiety over the consumption tax hike next year, and other factors have caused consumer spending to plateau; foreign investors have been selling more Japanese stocks than they have bought for the first time in seven years, which indicates that buyers of stocks and bonds are in short supply. The country's consumer market trends remain uncertain.

Japan's restaurant industry has been feeling an impact of rising prices of raw materials due to heavy rains, cold spells, and a weakening yen, as well as of higher personnel costs caused by tight labor supply and demand. Furthermore, while the industry anticipates that the government's policy to urge more women to enter the workforce as part of its efforts to achieve "a society where all of 100 million citizens can actively participate" will encourage people to eat out more often, there are a number of factors that will significantly affect the restaurant industry going forward, such as a government announcement that a reduced consumption tax rate will not apply to restaurant foods, and competition with convenience stores and other players who want to tap into the restaurant market. Given the situations in which many companies have been unable to employ their planned numbers of new college graduates due to the severe images their work conditions project, companies that have failed to address themselves to the debilitating practice of long working hours are left behind. In addition, encouraging employees to take their paid leave is an urgent need. We continue to operate in the business environment in which our true value as a company is challenged, and consumer market trends in Japan remain uncertain.

Against such a backdrop, we have pursued the following endeavors, including new ones: raising base pay for the third consecutive year and increasing dividends; offering well-planned trips for employees and reducing operating hours to encourage our employees to take their paid leave; setting up different working arrangements such as reduced working hours and assignments limited to specific regions; offering a new menu created by the Ohsho Women's Team; opening Gyoza Ohsho Karasuma Oike that offers pleasantly prompt service targeted mainly at

female customers. We also implemented the first anniversary sale on gyoza to commemorate the launch of domestic production of our gyoza and noodles, published recipes for creative dishes that use our uncooked takeout gyoza in a tie-up with Cookpad Inc., and carried out other sales promotions that demonstrated the appeal of our domestically produced gyoza. We continue our efforts toward expanded domestic production of the food we offer, and these efforts include selling regional specialties that represent local food ingredients and gastronomic culture in prefectures across Japan, and using only domestically produced ingredients for *subuta* (sweet and sour pork), which is one of our popular menu items. We should also note that the construction of our Higashimatsuyama Plant is complete to serve as our flagship plant in eastern Japan and across the country. The flagship plant will play a central role in the development of our private brand (PB) products for better productivity of our stores (i.e., half-finished products that take the average of two minutes to cook instead of five), and in the development and manufacturing of goods based on market research. The plant will enable us to continue pursuing what consumers want from our restaurants and plants, what they need deep down, and what products and services we can offer to meet the demand, and thereby continue to pursue higher levels of hospitality that entails ensuring safety, reliability, hygiene, good health, and pleasantly prompt service for our stakeholders. In addition, we joined the Japan Business Federation (*Keidanren*), which shows our determination to keep evolving to become a company that contributes to a further development of Japan's economy. We also set up the Third Party Committee to investigate whether we are in any way connected to antisocial forces, disclosed relevant reports, and it has been verified that we are in no way connected to antisocial forces. Nevertheless, we deeply regret that so much worry was caused by some biased news reports on our past transactions that were processed through proper accounting procedures. We are determined to establish an even more evolved corporate governance system through our efforts made in response to suggestions in the reports.

Regarding the store network during the current fiscal year, we focused our operations in Kanto and Kansai districts and opened six directly operated stores and nine franchised stores, changed two franchised stores to directly operated stores, and closed five directly operated stores and six franchised stores. The result was a total network of 473 directly operated stores and 233 franchised stores at the end of the current fiscal year.

1) Net sale

Net sales decreased 454 million yen (0.6%) year-on-year to 75,317 million yen, which is mainly attributable to reduction of operating hours by approximately 20,000 hours per month with an aim to improve working environment for the employees and to increase productivity, as well as a decrease in the number of customers as a result of ending of discount sales for gyoza.

2) Operating income

Operating income increased 186 million yen (3.1%) year-on-year to 6,269 million yen due to recording of accrued wages in the previous fiscal year, a decrease in gas purchase cost as well as decreases in depreciation and other expenses.

3) Ordinary income

Ordinary income increased 119 million yen (1.9%) year-on-year to 6,544 million yen, due to the above-mentioned factors, which were partially offset by the donation of 30 million yen for reconstruction from the Great East Japan Earthquake that occurred five years ago, following the donation of 50 million yen for relief of the Hiroshima heavy rain disaster that was made in the previous fiscal year.

4) Profit

Profit increased 385 million yen (10.5%) year-on-year to 4,068 million yen, due to the above-mentioned factors, a reduction in income taxes and recording of directors' condolence money in the previous fiscal year, which were partially offset by recording of costs for investigation by the Third Party Committee and impairment loss.

Forecasts for the fiscal year ending March 31, 2017

(Millions of yen)

	FY3/16	FY3/17 (forecasts)	Change (amount)	Change (%)
Net sales	75,317	77,733	2,416	3.2
Operating income	6,269	6,556	286	4.6
Ordinary income	6,544	6,774	229	3.5
Profit	4,068	4,442	373	9.2
Net income per share (Yen)	211.39	231.55	-	-

While the United States' monetary measures are moving back to normal, the economies of China and other emerging countries as well as economies that depend on natural resources are slowing down, and a stronger yen may well be a drag on earnings at Japanese companies, especially those in the export industry. Although employment and income environments are expected to keep improving, it is likely that the earthquake that hit Kumamoto in mid-April 2016 will continue to have negative effects, that consumers will become even more budget-minded because of the consumption tax hike next year, and the cost of labor will rise due to the decline in Japan's working age population. Hence, we believe that the operating environment will remain challenging. We will continue to be guided by our corporate philosophy while basing our 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 2017, we plan to open 45 directly operated stores and 11 franchised stores and close 4 directly operated stores and one franchised store. Due to the expected increase in the number of locations, we forecast a 3.2% year-on-year increase in sales to 77,733 million yen, a 4.6% year-on-year increase in operating income to 6,556 million yen, a 3.5% year-on-year increase in ordinary income to 6,774 million yen, and a 9.2% year-on-year increase in profit to 4,442 million yen.

Our performance and other aspects of our operations may 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 62,014 million yen, down 1,540 million yen (2.4%) from the end of the previous fiscal year. The main factors were as follows.

Current assets decreased 7,463 million yen (44.4%) to 9,327 million yen, mainly due to a decrease in cash and deposits used for purchase of treasury shares and capital expenditures for the Higashimatsuyama Plant.

Non-current assets increased 5,923 million yen (12.7%) to 52,686 million yen. This was mainly attributable to an increase in property, plant and equipment associated with the capital expenditures for the Higashimatsuyama Plant.

Liabilities

Total liabilities at the end of the current fiscal year was 18,078 million yen, down 3,166 million yen (14.9%) from the end of the previous fiscal year. The main factors were as follows.

Current liabilities decreased 550 million yen (3.8%) to 13,829 million yen. This was mainly attributable to a decrease in accrued consumption taxes.

Non-current liabilities decreased 2,615 million yen (38.1%) to 4,248 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 7,734 million yen.

Net assets

Net assets at the end of the current fiscal year was 43,936 million yen, up 1,626 million yen (3.8%) from the end of the previous fiscal year. This was mainly due to booking of profit of 4,068 million yen and an increase in valuation difference on available-for-sale securities, while there was decreases due to purchase of treasury shares of 1,712 million yen and payment of cash dividends of 2,130 million yen.

As a result, the equity ratio increased from 66.6% at the end of the previous fiscal year to 70.8% at the end of the current fiscal year.

Cash flow status

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year decreased 7,517 million yen from the end of the previous fiscal year to 7,306 million yen.

Cash flows from operating activities

Net cash provided by operating activities at the end of the current fiscal year decreased 1,920 million yen (down 25.0%) from the end of the previous fiscal year to 5,770 million yen. This was mainly a decrease in accrued consumption taxes.

The main factors of this decrease are profit before income taxes of 6,048 million yen and depreciation of 3,162 million yen, which were partially offset by income taxes paid of 2,142 million yen and a decrease in accrued consumption taxes of 1,356 million yen.

Cash flows from investing activities

Net cash used in investing activities at the end of the current fiscal year increased 5,481 million yen (up 296.6%) from the end of the previous fiscal year to 7,330 million yen. This was mainly due to an increase in expenditure for purchase of property, plant and equipment.

The main factor of this increase is purchase of property, plant and equipment of 7,481 million yen.

Cash flows from financing activities

Net cash used in financing activities at the end of the current fiscal year increased 1,548 million yen (up 35.1%) from the end of the previous fiscal year to 5,957 million yen. This was mainly due to a decrease in proceeds from long-term loans payable.

The main factors of this increase are a net decrease in loans payable of 2,115 million yen, purchase of treasury shares of 1,712 million yen and cash dividends paid of 2,130 million yen.

The Company prepared a consolidated financial statements for the previous fiscal year. However, since the subsidiary DALIAN OHSHO FOOD SERVICE CO., LTD. ceased its operations in the previous fiscal year, the Company has become a company that is not required to prepare the consolidated financial statements from the current fiscal year. Accordingly, year-on-year comparisons in the cash flow status are made available only for reference.

Reference: Cash flow indicators

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Equity ratio (%)	62.7	65.8	67.7	66.6	70.8
Equity ratio based on market value (%)	72.1	99.8	112.9	132.1	106.9
Interest-bearing debt to cash flow ratio (years)	-	-	-	-	1.3
Interest coverage ratio (times)	-	-	-	-	145.1

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

* 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 non-consolidated statement of cash flows.
* Interest-bearing debt is calculated using total loans-payable on the non-consolidated balance sheet that incurs interest. Interest payments use the amount of interest expenses paid stated on the non-consolidated statement of cash flows.

* Interest-bearing debt to cash flow ratios and interest coverage ratios for FY3/12 through FY3/15 are not presented because they were calculated based on the non-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. 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. Along with this policy, we put an emphasis on “total shareholder return” with a target of 100% total return ratio comprising more than 40% dividend payout ratio and share repurchase.

We will implement share repurchase in a flexible manner that takes into account our stock’s market price, liquidity, the number of individual shareholders, and all other applicable factors.

Based on the dividend policy above, we plan to pay a year-end dividend of 65 yen per share for the current fiscal year, comprising an ordinary dividend of 60 yen per share and a commemorative dividend of 5 yen per share to commemorate the completion of the Higashimatsuyama Plant, which is going to be our flagship plant. With the interim dividend of 60 yen per share that was already paid, this will result in a dividend of 125 yen per share applicable to the fiscal year that ended on March 31, 2016.

We expect to meet the target of the total return ratio, which will reach 101.0% with repurchase of 400,000 shares (1,712 million yen) made on May 18, 2015.

With regard to dividends for the fiscal year ending March 31, 2017, we plan to pay an ordinary dividend per annum of 120 yen per share, comprising an interim dividend of 60 yen per share and a year-end dividend of 60 yen per share in anticipation of achieve the forecast profit level.

(4) Important Information about Going Concern Assumption

Not applicable.

2. Management Policies

(1) Basic Management Policy

The Company 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 the Company 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 a total return ratio of 100%.

(3) Medium- and Long-term Business Strategy and Challenges to be Addressed by the Company

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%.

Under such circumstances, we have invested approximately 8 billion yen in construction of a new state-of-the-art plant in Higashimatsuyama city, Saitama prefecture to accelerate the opening of new stores in the Greater Tokyo area with an aim to expand our store network to achieve 1,000 stores. In this new plant, we have introduced the “formed gyoza system,” whereby we can realize labor-saving operations through the automated production lines and at the same time achieve the “improvement of productivity and quality of gyoza.” With this system in place, we believe that we can serve our gyoza that is even safer, securer and more delicious than ever. Furthermore, in the near future, we plan to launch global marketing of gyoza, which is our top selling product and also a soul food for

Japanese people, as *Washoku*, or traditional Japanese food, as part of our efforts to develop new market and diversification of distribution channels. 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) Ensuring sustainable growth

a) Store opening policy

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. On top of the conventional development of restaurants as described above, there are many other forms of restaurant openings. Our plans include M&A based on mutual benefits, restaurants inside hotels, and restaurants at shopping malls and other large retail facilities.

b) Development of new businesses, e.g. food sales business and overseas business

We will strive to expand our business through the following two approaches. Firstly, we will consider developing a food sales business by signing franchising agreements with national and regional supermarket operators; convenience store operators; internet, catalog and mail order operators. Secondly, we consider starting overseas operations. 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) Enhancing competitiveness

a) Enhancement of marketing and sales capabilities

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.

b) Enhancement of productivity

We will hold down the level of breakeven sales by appropriately controlling cost, systemizing the staff deployment, enhancing productivity through the formed gyoza and central kitchens, and improving capital investment procedures. We will also make efforts to save labors for store front accounting primarily by taking full advantage of POS cash registers.

c) Central kitchen policy

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 formed 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.

3) Putting business infrastructure in place

a) Working environment and human resource development

We will establish a career development program. In the program, there will 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. In order to prepare for further development of stores, 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.

b) Contribution to society and environment protection measures

We will consider preparing an integrated report including ESG and CSR and also entering the agriculture business. 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. We plan to achieve more growth in corporate value by implementing environment-friendly store operations and fulfilling our responsibilities to society.

c) Organization and governance
We will promptly respond to the Corporate Governance Code and address the issues raised in the Third Party Committee's investigation report so that we will establish the ideal organizational structure and governance system for the Group.

d) Financing and capital policy
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 considering effective utilization of treasury shares, maintaining shareholder return policy of 100% total return ratio and 40% dividend payout ratio, 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 the Company 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. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	14,855	7,336
Accounts receivable-trade	343	370
Merchandise and finished goods	113	142
Raw materials	263	297
Prepaid expenses	402	397
Deferred tax assets	465	439
Other	364	365
Allowance for doubtful accounts	(16)	(21)
Total current assets	16,791	9,327
Non-current assets		
Property, plant and equipment		
Buildings	41,006	45,844
Accumulated depreciation	(28,750)	(30,786)
Buildings, net	12,255	15,058
Structures	5,292	5,483
Accumulated depreciation	(4,164)	(4,375)
Structures, net	1,127	1,108
Machinery and equipment	2,755	5,213
Accumulated depreciation	(2,217)	(2,394)
Machinery and equipment, net	538	2,819
Vehicles	173	186
Accumulated depreciation	(135)	(129)
Vehicles, net	38	56
Tools, furniture and fixtures	4,391	4,894
Accumulated depreciation	(3,776)	(4,097)
Tools, furniture and fixtures, net	615	797
Land	21,589	21,501
Construction in progress	928	138
Total property, plant and equipment	37,092	41,479
Intangible assets		
Software	21	15
Right of using facilities	14	26
Total intangible assets	36	41
Investments and other assets		
Investment securities	3,260	5,205
Long-term loans receivable	108	74
Long-term prepaid expenses	92	85
Prepaid pension cost	129	414
Deferred tax assets	1,625	1,126
Guarantee deposits	4,361	4,250
Other	116	68
Allowance for doubtful accounts	(58)	(59)
Total investments and other assets	9,634	11,165
Total non-current assets	46,763	52,686
Total assets	63,554	62,014

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	1,770	1,978
Current portion of long-term loans payable	4,953	4,954
Accounts payable - other	2,608	1,380
Accrued expenses	1,924	2,020
Income taxes payable	1,032	993
Advances received	40	38
Deposits received	337	352
Unearned revenue	4	4
Provision for bonuses	887	857
Accounts payable - facilities	821	1,250
Total current liabilities	14,380	13,829
Non-current liabilities		
Long-term loans payable	4,896	2,779
Deferred tax liabilities for land revaluation	535	506
Long-term guarantee deposited	543	185
Asset retirement obligations	696	703
Other	193	73
Total non-current liabilities	6,864	4,248
Total liabilities	21,244	18,078
Net assets		
Shareholders' equity		
Capital stock	8,166	8,166
Capital surplus		
Legal capital surplus	9,026	9,026
Other capital surplus	4	4
Total capital surplus	9,031	9,031
Retained earnings		
Legal retained earnings	940	940
Other retained earnings		
Reserve for gain on insurance adjustment	26	25
Reserve for advanced depreciation of non-current assets	247	247
General reserve	22,800	22,800
Retained earnings brought forward	10,620	12,485
Total retained earnings	34,634	36,497
Treasury shares	(7,311)	(9,023)
Total shareholders' equity	44,519	44,671
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,684	3,055
Revaluation reserve for land	(3,894)	(3,791)
Total valuation and translation adjustments	(2,209)	(735)
Total net assets	42,309	43,936
Total liabilities and net assets	63,554	62,014

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	75,772	75,317
Cost of sales		
Beginning merchandise and finished goods	94	113
Cost of purchased goods	2,350	2,278
Cost of products manufactured	20,355	20,253
Total	22,800	22,646
Ending merchandise and finished goods	113	142
Total cost of sales	22,686	22,503
Gross profit	53,085	52,813
Selling, general and administrative expenses		
Packing and transportation expenses	1,574	1,653
Advertising expenses	861	932
Promotion expenses	3,379	3,416
Provision of allowance for doubtful accounts	11	9
Directors' compensations	295	287
Salaries, allowances and bonuses	10,156	9,823
Other salaries	11,464	11,827
Provision for bonuses	866	838
Retirement benefit expenses	57	(26)
Welfare expenses	3,709	3,659
Taxes and dues	362	350
Depreciation	2,993	2,726
Rent expenses	3,881	3,875
Utilities expenses	4,521	4,086
Repair expenses	820	904
Other	2,045	2,178
Total selling, general and administrative expenses	47,001	46,543
Operating income	6,083	6,269
Non-operating income		
Interest income	5	3
Dividend income	45	43
Land and house rent received	68	65
Franchise chain accession fee	120	109
Miscellaneous income	258	176
Total non-operating income	497	399
Non-operating expenses		
Interest expenses	47	40
Rent expenses	24	36
Cash over and short	14	13
Donation for disaster relief	50	30
Miscellaneous loss	19	3
Total non-operating expenses	155	124
Ordinary income	6,425	6,544

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Extraordinary income		
Gain on sales of non-current assets	5	8
Gain on sales of investment securities	64	-
Total extraordinary income	69	8
Extraordinary losses		
Loss on retirement of non-current assets	114	82
Loss on sales of non-current assets	9	45
Impairment loss	74	252
Investigation expenses by third-party committee	-	123
Loss on valuation of investments in capital of subsidiaries and associates	57	-
Directors' condolence money	100	-
Total extraordinary losses	355	505
Profit before income taxes	6,140	6,048
Income taxes-current	2,512	2,018
Income taxes-deferred	(55)	(39)
Total income taxes	2,456	1,979
Profit	3,683	4,068

(3) Non-consolidated Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for gain on insurance adjustment	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	8,166	9,026	4	9,031	940	27	241	22,800	8,980	32,989
Cumulative effects of changes in accounting policies									190	190
Restated balance	8,166	9,026	4	9,031	940	27	241	22,800	9,171	33,179
Changes of items during period										
Provision of reserve for gain on insurance adjustment						1			(1)	-
Reversal of reserve for gain on insurance adjustment						(2)			2	-
Provision of reserve for advanced depreciation of non-current assets							11		(11)	-
Reversal of reserve for advanced depreciation of non-current assets							(5)		5	-
Dividends of surplus									(2,190)	(2,190)
Profit									3,683	3,683
Purchase of treasury shares										-
Reversal of revaluation reserve for land									(38)	(38)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	-	(0)	6	-	1,449	1,454
Balance at end of current period	8,166	9,026	4	9,031	940	26	247	22,800	10,620	34,634

	Shareholders' equity		Accumulated other comprehensive income			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	(5,016)	45,170	795	(3,987)	(3,192)	41,978
Cumulative effects of changes in accounting policies		190				190
Restated balance	(5,016)	45,360	795	(3,987)	(3,192)	42,168
Changes of items during period						
Provision of reserve for gain on insurance adjustment		-				-
Reversal of reserve for gain on insurance adjustment		-				-
Provision of reserve for advanced depreciation of non-current assets		-				-
Reversal of reserve for advanced depreciation of non-current assets		-				-
Dividends of surplus		(2,190)				(2,190)
Profit		3,683				3,683
Purchase of treasury shares	(2,295)	(2,295)				(2,295)
Reversal of revaluation reserve for land		(38)		38	38	-
Net changes of items other than shareholders' equity			888	54	943	943
Total changes of items during period	(2,295)	(840)	888	93	982	141
Balance at end of current period	(7,311)	44,519	1,684	(3,894)	(2,209)	42,309

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for gain on insurance adjustment	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	8,166	9,026	4	9,031	940	26	247	22,800	10,620	34,634
Cumulative effects of changes in accounting policies									-	-
Restated balance	8,166	9,026	4	9,031	940	26	247	22,800	10,620	34,634
Changes of items during period										
Provision of reserve for gain on insurance adjustment						0			(0)	-
Reversal of reserve for gain on insurance adjustment						(1)			1	-
Provision of reserve for advanced depreciation of non-current assets							6		(6)	-
Reversal of reserve for advanced depreciation of non-current assets							(5)		5	-
Dividends of surplus									(2,130)	(2,130)
Profit									4,068	4,068
Purchase of treasury shares										-
Reversal of revaluation reserve for land									(74)	(74)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	-	(1)	0	-	1,864	1,863
Balance at end of current period	8,166	9,026	4	9,031	940	25	247	22,800	12,485	36,497

	Shareholders' equity		Accumulated other comprehensive income			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	(7,311)	44,519	1,684	(3,894)	(2,209)	42,309
Cumulative effects of changes in accounting policies		-				-
Restated balance	(7,311)	44,519	1,684	(3,894)	(2,209)	42,309
Changes of items during period						
Provision of reserve for gain on insurance adjustment		-				-
Reversal of reserve for gain on insurance adjustment		-				-
Provision of reserve for advanced depreciation of non-current assets		-				-
Reversal of reserve for advanced depreciation of non-current assets		-				-
Dividends of surplus		(2,130)				(2,130)
Profit		4,068				4,068
Purchase of treasury shares	(1,712)	(1,712)				(1,712)
Reversal of revaluation reserve for land		(74)		74	74	-
Net changes of items other than shareholders' equity			1,371	28	1,400	1,400
Total changes of items during period	(1,712)	151	1,371	102	1,474	1,626
Balance at end of current period	(9,023)	44,671	3,055	(3,791)	(735)	43,936

(4) Non-consolidated Statement of Cash Flows

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities	
Profit before income taxes	6,048
Depreciation	3,162
Impairment loss	252
Increase (decrease) in allowance for doubtful accounts	5
Decrease (increase) in prepaid pension costs	(285)
Interest and dividend income	(47)
Interest expenses	40
Loss (gain) on sales of non-current assets	37
Loss on retirement of non-current assets	82
Decrease (increase) in inventories	(62)
Increase (decrease) in notes and accounts payable-trade	208
Increase (decrease) in accrued consumption taxes	(1,356)
Other, net	(180)
Subtotal	7,904
Interest and dividend income received	47
Interest expenses paid	(39)
Income taxes paid	(2,142)
Net cash provided by (used in) operating activities	5,770
Cash flows from investing activities	
Decrease (increase) in time deposits	0
Purchase of property, plant and equipment	(7,481)
Proceeds from sales of property, plant and equipment	65
Purchase of investment securities	(9)
Payments of loans receivable	(50)
Collection of loans receivable	107
Payments for guarantee deposits	(79)
Other, net	116
Net cash provided by (used in) investing activities	(7,330)
Cash flows from financing activities	
Proceeds from long-term loans payable	3,585
Repayments of long-term loans payable	(5,700)
Purchase of treasury shares	(1,712)
Cash dividends paid	(2,130)
Net cash provided by (used in) financing activities	(5,957)
Net increase (decrease) in cash and cash equivalents	(7,517)
Cash and cash equivalents at beginning of period	14,824
Cash and cash equivalents at end of period	7,306

(5) Notes to Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

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)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net assets per share	2,160.19	2,289.99
Net income per share	187.19	211.39

Notes: 1. Diluted net income per share is not presented because there are no latent shares.
2. The basis of calculating the net income per share is as follows:

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Profit (Millions of yen)	3,683	4,068
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit applicable to common shares (Millions of yen)	3,683	4,068
Average number of common shares outstanding (Thousands shares)	19,678	19,247

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.