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(Securities Code 9936)
June 7, 2017

To Shareholders with Voting Rights:

Naoto Watanabe
President
OHSHO FOOD SERVICE CORP.
294-1 Ibanoue-cho, Nishinoyama,
Yamashina-ku, Kyoto, Japan

NOTICE OF
THE 43RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 43rd Ordinary General Meeting of Shareholders (the "Meeting") of OHSHO FOOD SERVICE CORP. (the "Company"), to be held as set forth below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders described hereinafter, and exercise your voting rights by no later than 6 p.m. on Tuesday, June 27, 2017, Japan time.

1. **Date and Time:** Wednesday, June 28, 2017, at 1 p.m. Japan time (reception will open at noon)
2. **Place:** Mizuho Room, West Tower 4F, The Westin Miyako Kyoto
   1 Awataguchi Kachocho (Sanjokeage), Higashiyama-ku, Kyoto
   (Please refer to the guide to the venue where the Ordinary General Meeting of Shareholders will be held at the end of this document.)
3. **Meeting Agenda:**
   Matters to be reported: The Business Report and Non-Consolidated Financial Statements for the Company's 43rd Fiscal Year (April 1, 2016–March 31, 2017).
   Proposals to be resolved:
   - **Proposal No. 1:** Appropriation of Surplus
   - **Proposal No. 2:** Election of Ten (10) Directors
   - **Proposal No. 3:** Election of One (1) Corporate Auditor
   - **Proposal No. 4:** Election of One (1) Substitute Corporate Auditor

Notes:

1. When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk at the venue.
2. Please be advised that persons other than shareholders, such as proxy agents who are not shareholders or those accompanying shareholders, are not allowed to participate in the General Meeting of Shareholders. According to the Company's Articles of Incorporation, you may exercise your voting rights through a proxy who shall be another shareholder of the Company with voting rights; provided, however, that the proxy must present written proof of his/her power of representation at the Meeting.
3. Pursuant to provisions of laws and regulations, as well as Article 18 of the Articles of Incorporation, the Notes to Non-Consolidated Financial Statements are not attached to this notice and are instead presented on the Company's Website (http://www.ohsho.co.jp).
   Accordingly, the Appendix to this notice is part of the Non-Consolidated Financial Statements audited by the Accounting Auditor for preparing the Accounting Auditor's Audit Report.
4. Any updates to the Appendix and the Reference Materials for the General Meeting of Shareholders will be posted on the Company's Website at the following URL: http://www.ohsho.co.jp.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference

Proposal No. 1: Appropriation of Surplus

The Company considers it as one of the important managerial tasks to ensure long-term returns of profits to the Company's shareholders, while reinforcing its financial strength and operating foundations. Based on this policy, considering that profits should be directly returned to shareholders in view of the progress of the profit planning for the fiscal year under review, the Company proposes year-end dividends for the fiscal year ended March 31, 2017, to be ¥60 per share.

1. Matters concerning year-end dividends

   (1) Type of dividend assets: Cash

   (2) Matters concerning the allocation of dividend assets to be paid to shareholders and total dividend amount:
   ¥60 per share of common stock, for a total of ¥1,123,366,260
   As an interim dividend of ¥60 per share was already paid, the total annual dividend for the fiscal year will be ¥120 per share.

   (3) Effective date of dividend payout: June 29, 2017

Proposal No. 2: Election of Ten (10) Directors

Since the terms of office of all ten (10) Directors will expire upon the conclusion of this General Meeting of Shareholders, the Company proposes to elect ten (10) Directors.

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
1	Naoto Watanabe (August 19, 1955) Renomination	March 1979 Joined the Company December 1984 Assistant General Manager, Sales Department April 1990 Area Manager of Tokyo Area January 2003 Deputy General Manager, Sales Department #1, Sales Division Headquarters and General Manager of Tokyo Area June 2004 Director, Deputy General Manager, Sales Department #1, Sales Division Headquarters and General Manager of Tokyo Area May 2005 Director, General Manager, Sales Department #4, Sales Division Headquarters and General Manager of Tokyo Area June 2008 Managing Director, General Manager, Sales Department #4, Sales Division Headquarters and General Manager of Tokyo Area April 2011 Managing Director and General Manager, Sales Department #4 December 2013 Representative Director and President (to present) January 2017 President, OHSHO RESTAURANT SERVICE CO., LTD. (to present) February 2017 Representative Director and President, OHSHO HEARTFUL CORP. (to present) [Significant concurrent positions] President, OHSHO RESTAURANT SERVICE CO., LTD. Representative Director and President, OHSHO HEARTFUL CORP.	14,668 shares

- Term of office as Director at the conclusion of this meeting will be thirteen (13) years.
- Reason for nominating him as Director:
  Since taking office as Representative Director and President in December 2013, he has shown strong leadership in implementing initiatives for the improvement of corporate value and performed his duties as Director. The Company judges that he will be able to use this experience and achievement in the management of the Company.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
2	Minoru Ueda (June 14, 1957) New nomination	April 1980 Joined McDonald's Company (Japan), Ltd. March 2003 Executive Officer, McDonald's Company (Japan), Ltd. September 2004 Executive Officer, GHF Management Co., Ltd. April 2005 Managing Director, GHF Management Co., Ltd. June 2006 Senior Managing Director, GHF Management Co., Ltd. April 2013 President & CEO, GHFD Co., Ltd. June 2016 Representative, office UEDA (to present) July 2016 Advisor of the Company (to present) [Significant concurrent position] Representative, office UEDA	—

■ Reason for nominating him as Director:

He has abundant experience and achievement in food and beverage industry as well as experience as a management executive, and he currently provides a variety of advice as an Advisor of the Company while using his deep insight. Accordingly, the Company judges that he is a necessary person for the sustainable improvement of the Company's corporate value.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
3	Hideki Koreeda (March 19, 1961) Renomination	March 1989 Joined the Company March 1999 Deputy General Manager, Administration Department June 2007 General Manager, Human Resources Department June 2009 Director and General Manager, Human Resources Department August 2014 Director and General Manager, General Affairs Department June 2015 Managing Director, Executive Officer and General Manager, General Affairs Department July 2016 Managing Director, Executive Officer, General Manager of Business Strategy Division Headquarters, General Manager of FC Promotion Department and General Manager of Sales Planning & Promotion Department (to present)	12,864 shares

■ Term of office as Director at the conclusion of this meeting will be eight (8) years.

■ Reason for nominating him as Director:

As he has assumed important positions in administration area at the Company and has abundant knowledge and experience in the Company's business and corporate management, the Company judges that he will be able to continuously and fully carry out his role as a Director in making decisions on important matters and conducting corporate management and execution of the Company's operations.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
4	Yutaka Kiso (July 23, 1973) Renomination	April 2000 Prosecutor, Tokyo District Public Prosecutor's Office January 2008 Joined Kitahama Partners L.P.C. January 2009 Partner, Kitahama Partners L.P.C. June 2015 Corporate Auditor of the Company June 2016 Managing Director June 2016 Chief Financial Officer (to present) July 2016 Managing Director, Executive Officer, General Manager of Administration Division Headquarters, General Manager of General Affairs Department and General Manager of Information System Department (to present)	448 shares

- Term of office as Director at the conclusion of this meeting will be one (1) year.
- Reason for nominating him as Director:
  Since he has professional knowledge and experience as a lawyer and also the experience of serving as a Corporate Auditor of the Company, he is well-versed in corporate legal matters and corporate audit, therefore the Company judges that he will be able to continuously and sufficiently fulfill his duties as a Director.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
5	Naoko Ikeda (June 13, 1964) Renomination	April 1985 Joined Yasuda Fire and Marine (current Sompo Japan Nipponkoa Insurance Inc.) September 1999 Head of Ikeda FP Labor and Social Security Attorney Office August 2002 Representative Director of Kabushiki Kaisha Human Prime April 2008 Director of Social Security Attorney Office Aozora Consulting (to present) January 2012 Representative Director of Kabushiki Kaisha Aozora Consulting June 2015 Director of the Company June 2016 Managing Director July 2016 Managing Director, Executive Officer, Deputy General Manager of Administration Division Headquarters and General Manager of Human Resources Department (to present) [Significant concurrent positions] Director, Social Security Attorney Office Aozora Consulting	459 shares

- Term of office as Director at the conclusion of this meeting will be two (2) years.
- Reason for nominating her as Director:
  Since she has professional knowledge and experience as a specified labor and social security attorney and has been involved in decision-making on execution of important operations as a person responsible for administration, particularly in human resources, the Company judges that she will be able to continuously and sufficiently fulfill her duties as a Director.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
6	Motoki Sugita (December 11, 1956) Renomination	February 1981 Joined the Company January 2003 Deputy General Manager, Sales Department #2 April 2008 General Manager, Sales Department #3, Sales Division Headquarters and Area Manager of Kansai Area #2 June 2009 Director, General Manager, Sales Department #3, Sales Division Headquarters and Area Manager of Kansai Area #2 April 2011 Director and General Manager, Sales Department #3 and Area Manager of Kansai Area #2 February 2014 Director and General Manager, Sales Department #3 August 2014 Director and General Manager, Sales Department #1 June 2015 Director, Executive Officer and General Manager, Sales Department #1 (to present)	6,729 shares

- Term of office as Director at the conclusion of this meeting will be eight (8) years.
- Reason for nominating him as Director:

  As he has been engaged in sales after joining the Company and has abundant experience, achievement and insight in the Company's business, the Company judges that he will be able to continuously and fully carry out his role as a Director in making decisions on important matters and conducting corporate management and execution of the Company's operations.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
7	Hiroshi Kadobayashi (January 17, 1963) New nomination	April 1981 Joined the Company November 2002 Area Manager, Sales Department #1 June 2014 General Manager, Sales Department #2 June 2015 Executive Officer and General Manager, Sales Department #2 (to present)	6,422 Shares

- Reason for nominating him as Director:

  As he has been engaged in sales after joining the Company and has abundant experience, achievement and insight in the Company's business, the Company judges that he is a necessary person for the improvement of the Company's corporate value.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
8	Masayuki Watanabe (May 2, 1970) Renomination Outside Director candidate	April 1998 Joined the Prime Minister's Office (General Affairs Department, Minister's Secretariat) October 2001 Joined Anderson Mori (current Anderson Mori & Tomotsune) August 2009 Joined Miyake & Partners May 2011 Partner, Miyake & Partners (to present) September 2012 Part-time Lecturer, Seikei University Law School (to present) March 2014 Chairman of Independent Committee, JALCO Holdings Inc. June 2014 Director of the Company (to present) June 2016 Outside Director, NITTOC CONSTRUCTION CO., LTD. (to present) April 2017 Member of the Council for Promoting Development of Areas for Specified Integrated Resort Facilities (to present) [Significant concurrent positions] Partner, Miyake & Partners Part-time Lecturer, Seikei University Law School Outside Director, NITTOC CONSTRUCTION CO., LTD. Member of the Council for Promoting Development of Areas for Specified Integrated Resort Facilities	374 shares

- Term of office as Director at the conclusion of this meeting will be three (3) years.
- Reason for nominating him as Outside Director:

  As he has professional knowledge and experience as a lawyer and has provided active opinions and suggestions on management of the Company as an Outside Director over the past three (3) years from an objective viewpoint while paying attention to the entire corporate community including laws and regulations, the Company judges that he will continuously and properly oversee the Company. Although he has not been directly involved in corporate management other than serving as an Outside Director, the Company judges, for the aforementioned reasons, that he will be able to properly fulfill his duties as an Outside Director.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
9	Akihiko Inada (January 15, 1961) Renomination Outside Director candidate	August 1992 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) October 2011 Representative of Akihiko Inada CPA Office (to present) June 2012 Director of the Company (to present) [Significant concurrent position] Representative, Akihiko Inada CPA Office	772 shares

- Term of office as Director at the conclusion of this meeting will be five (5) years.
- Reason for nominating him as Outside Director:

  As he is a certified public and tax accountant and has provided active opinions and suggestions on the management of the Company as an Outside Director over the past five (5) years from a professional standpoint in terms of financial and accounting, the Company judges that he will continuously and properly oversee the Company. Although he has not been directly involved in corporate management other than serving as an Outside Director, the Company judges, for the aforementioned reasons, that he will be able to properly fulfill his duties as an Outside Director.)

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
10	Chikara Sekijima (December 13, 1955) Renomination Outside Director candidate	April 1980 Joined Asahi Breweries, Ltd. October 2005 General Manager of Niigata Branch, Asahi Breweries, Ltd. September 2008 General Manager of Osaka Administrative Office, Asahi Breweries, Ltd. March 2011 Director of Hokkaido district, Asahi Breweries, Ltd. January 2013 Executive Officer, Director of Kinki district, Asahi Breweries, Ltd. March 2016 Adviser, Asahi Group Holdings, Ltd. and General Manager, Asahi Guest House (to present) June 2016 Director of the Company (to present) April 2017 Administration Manager, Asahi Guest House, Asahi Professional Management Co., Ltd. (to present) [Significant concurrent positions] Adviser, Asahi Group Holdings, Ltd. and General Manager, Asahi Guest House	73 shares

- Term of office as Director at the conclusion of this meeting will be one (1) year.
- Reason for nominating him as Outside Director:
  Based on his experience in sales and ample knowledge gained through corporate management as an Executive Officer at Asahi Breweries, Ltd. over the years, he assumed office as an Outside Director of the Company in June 2016. In view of his achievement last year, the Company judges that he will continuously and properly oversee the Company.

(Notes)
1. There is no material conflict of interest between the Company and any of the candidates for Director.
2. The number of shares of the Company held by each of the candidates represents the number as of March 31, 2017, and includes the number of shares held through the Ohsho Food Service Shareholding Association for Executives.
3. Mr. Masayuki Watanabe, Mr. Akihiko Inada and Mr. Chikara Sekijima are candidates for Outside Director as provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
4. The Company designates Mr. Masayuki Watanabe and Mr. Akihiko Inada as Independent Directors stipulated under the regulations of the Tokyo Stock Exchange, and has submitted filings with said Exchange.
5. If the appointment of Mr. Masayuki Watanabe, Mr. Akihiko Inada and Mr. Chikara Sekijima is approved, the Company will continue agreements with each of the candidates, pursuant to the Company's Articles of Incorporation, to limit their liability for damages prescribed in Article 423, Paragraph 1, of the Companies Act, in accordance with Article 427, Paragraph 1, of said Act; provided, however, that the maximum amount of liability under said agreement shall be the higher of ¥5 million or the minimum amount prescribed by laws and regulations.

Proposal No. 3: Election of One (1) Corporate Auditor

The term of office of Corporate Auditor Tetsuya Hara will expire at the conclusion of this General Meeting of Shareholders. Therefore, the election of one (1) Corporate Auditor is proposed.

This proposal has received the consent of the Board of Corporate Auditors.

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary, positions at the Company, and significant concurrent positions	Number of the Company's shares held
Tetsuya Hara (July 1, 1947) Renomination Outside Corporate Auditor candidate	March 1970 Joined Tokyo Metropolitan Police Department September 2006 Retired from Tokyo Metropolitan Police Department October 2006 Executive Officer, MITSUMOTO COFFEE Co., Ltd. April 2009 Executive Director, Public Interest Incorporated Foundation Tokyo Center for Removal of Criminal Organizations September 2010 Representative Director, Public Interest Incorporated Foundation Tokyo Center for Removal of Criminal Organizations June 2015 Advisor, Public Interest Incorporated Foundation Tokyo Center for Removal of Criminal Organizations April 2016 Auditor, Sankyo Co., Ltd. (to present) June 2016 Corporate Auditor of the Company (to present) [Significant concurrent position] Auditor, Sankyo Co., Ltd.	—

- Term of office as Corporate Auditor at the conclusion of this meeting will be one (1) year.
- Reason for nominating him as Outside Corporate Auditor:

  He has work experience at Tokyo Metropolitan Police Department and public company, as well as broad experience as auditor and director at an incorporated foundation, thereby having sufficient insight into controlling corporate management. Also, based on his performance as Outside Corporate Auditor of the Company for one year, the Company judges that he will be able to adequately fulfill the duties as an Outside Corporate Auditor.

(Notes)
1. There is no material conflict of interest between the Company and the candidate.
2. Mr. Tetsuya Hara is a candidate for Outside Corporate Auditor as provided for in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. The Company designates Mr. Tetsuya Hara as an Independent Director stipulated under the regulations of the Tokyo Stock Exchange, and has submitted filings with said Exchange.
3. If the appointment of the candidate for Outside Corporate Auditor is approved, the Company will continue agreement with the candidate, pursuant to the Company's Articles of Incorporation, to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1, of said Act; provided, however, that the maximum amount of liability under said agreement shall be the higher of ¥5 million or the minimum amount prescribed by laws and regulations.

Proposal No. 4: Election of One (1) Substitute Corporate Auditor

The resolution on the appointment of Mr. Toshikazu Shikata as a Substitute Corporate Auditor made at the 42nd Ordinary General Meeting of Shareholders held on June 28, 2016 will expire at the commencement of this General Meeting of Shareholders. It is therefore proposed that one (1) Substitute Corporate Auditor be elected in case of the vacancy of the statutory number of Corporate Auditors.

This proposal has received the consent of the Board of Corporate Auditors.

The candidate for Substitute Corporate Auditor is as follows.

Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of the Company's shares held
Toshikazu Shikata (August 10, 1949) Substitute Outside Corporate Auditor candidate	April 1973 January 1993 December 1995 May 2000 December 2000 July 2004 December 2007 March 2010 June 2013 August 2013	Joined Bank of Kyoto, Ltd. Joined FALCO biosystems Ltd. Director, FALCO biosystems Ltd. President and Representative Director, FALCO LIFE SCIENCE Ltd. Director, NPO Japan Institute of Food Safety Advisor, Japan Registered Clinical Laboratories Association Managing Director, FALCO biosystems Ltd. Managing Director, FALCO SD HOLDINGS Co., Ltd. Advisor, FALCO SD HOLDINGS Co., Ltd. Advisor, Roman Life Inc.	—

■ Reason for nominating him as Substitute Outside Corporate Auditor:

Based on his abundant experience in a financial institution and broad insight in overall corporate management over the years, the Company judges that he will be able to appropriately audit the Company's management.

(Notes)
1. There is no material conflict of interest between the Company and the candidate.
2. Mr. Toshikazu Shikata is a candidate for Substitute Outside Corporate Auditor.
3. When a candidate for Substitute Outside Corporate Auditor assumes the office of Corporate Auditor, the Company will continue or enter into agreement with the candidate, pursuant to the Company's Articles of Incorporation, to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1, of said Act; provided, however, that the maximum amount of liability under said agreement shall be the higher of ¥5 million or the minimum amount prescribed by laws and regulations.

(Appendix)

Business Report

43rd Term

(April 1, 2016–March 31, 2017)

1. Overview of the Company

(1) Business progress and achievement

Summary of results of operations			
	Amount (Millions of yen)	% to sales	YoY change
Net sales	75,078	100.0	Down 0.3%
Operating income	5,494	7.3	Down 12.4%
Ordinary income	5,801	7.7	Down 11.4%
Net income	3,839	5.1	Down 5.6%
・ Number of customers at all stores (directly operated stores): down 0.3% YoY (down 1.3% at existing stores) ・ Sales amount at existing stores (directly operated stores): down 0.6% YoY			

During the fiscal year ended March 31, 2017, global economic downturns appear to have been stopped, however, due to sluggish growth in emerging countries including China, UK's intent to exit from the European Union, and concern and uncertainty over the protectionist policy in the new US administration, the global economy seems to be getting more unpredictable.

In this global economic environment, the Japanese economy continues recovering at a moderate pace as the employment and income situation keeps improving, and shows signs of recovery as foreign tourists to Japan increased in record time to more than 24 million in 2016 and the real wages index increased for the first time in five years. However, the outlook altogether continues to warrant no optimism and the consumer market trends remain unclear, due mainly to lackluster consumer spending and concerns over rising prices and revisions to be made to the social insurance system.

The restaurant industry went through a year that was largely affected by weather conditions, leading to increases in vegetable prices and decrease in customer traffic due to typhoons, continual rain and decreased sunshine hours in summer as well as record early snow in winter. In addition, the industry is facing a severe business environment, marred by challenges such as increased personnel costs mainly due to manpower constraints, intensified competition with strong players in different industries such as convenience stores, and the issue of attracting more customers in the aging society with a falling birthrate, which is becoming a serious concern for the future.

Amid these conditions, the Company has continued its pursuit of realizing employees' happiness by implementing base pay raise for the third consecutive year in addition to streamlining working environments by reducing working hours and encouraging employees to take their paid leave, and has also continued relentless efforts for improvements and challenges toward creation of customer satisfaction through the improvement of the governance system by hiring officers from outside the Company. The Company has made efforts for a variety of promotional activities such as a tie-up with Cookpad Inc., opening more new concept stores "GYOZA OHSHO," launching its official online store at the YAHOO! Shopping website, starting the test marketing with an aim to develop the out-of-store sales business, starting sales of "Goku-Oh Yakisoba" (premium Ohsho pan-fried noodles) and "No Garlic Gyoza," and starting the on-the-spot sales "Yuzu-fumi Gyoza-no-tare" (sauce flavored with citrons for gyoza), "Rayu" (chili oil) and "Ohsho Magic Powder" at actual stores. On the other hand, the Company has also proactively undertaken social contribution activities including a premium membership recruiting campaign for "Gyoza Club" with 1% of sales donated to Kumamoto Prefecture and selling of

“Haru-no-Yasai Nikomi Ramen” (noodles with stewed spring vegetables) as a menu for supporting recovery and reconstruction from Kumamoto Earthquake with 30 yen for each bowl donated to Kumamoto Prefecture.

For the Company’s 50th anniversary on December 24, 2017, with appreciation of the past 50 years, the Company has planned various attempts for the next 50 years, which include the establishment a subsidiary (OHSHO RESTAURANT SERVICE CO., LTD.) and opening of new stores in Taiwan and the establishment of a special subsidiary for promoting employment of handicapped people (OHSHO HEARTFUL CORP.). The Company will show the Company’s “appreciation” by continuing to create “stores praised” by the Company’s customers as well as giving back to the Company’s stakeholders through business activities.

Regarding the store network in the current fiscal year, 16 directly operated stores and eight (8) franchised stores were opened, one (1) franchised stores shifted to directly operated ones while four (4) directly operated stores and nine (9) franchised stores were closed. At the end of the current fiscal year, the total network consisted of 486 directly operated stores and 231 franchised stores.

As a result, net sales decreased ¥238 million (0.3%) year over year to ¥75,078 million.

Operating income decreased ¥775 million (12.4%) year over year to ¥5,494 million due to an increase in transportation costs as well as an increase in personnel costs primarily as a result of the base pay raise.

Ordinary income decreased ¥743 million (11.4%) year over year to ¥5,801 million due to the above reasons.

Despite an increase in impairment loss, net income decreased ¥229 million (5.6%) year-on-year to ¥3,839 million due to receiving of compensation income for expropriation and reduced income tax burden.

[Net sales]

Accounting period / Category	Previous fiscal year From April 1, 2015, to March 31, 2016			Current fiscal year From April 1, 2016, to March 31, 2017		
	Number of stores	Amount (Millions of yen)	Composition ratio (%)	Number of stores	Amount (Millions of yen)	Composition ratio (%)
Directly operated stores	473	68,861	91.4	486	68,995	91.9
Franchised stores	233	6,456	8.6	231	6,082	8.1
Total	706	75,317	100.0	717	75,078	100.0

Note: The number of stores is as of March 31 of the respective fiscal years.

[Net sales at directly operated stores by area]

Accounting Period / Area classification	Previous fiscal year From April 1, 2015, to March 31, 2016			Current fiscal year From April 1, 2016, to March 31, 2017		
	Number of stores	Amount (Millions of yen)	Composition ratio (%)	Number of stores	Amount (Millions of yen)	Composition ratio (%)
Kansai area	223	34,430	50.0	230	34,445	49.9
(Kyoto)	(42)	(6,699)	(9.7)	(43)	(6,904)	(10.0)
(Osaka)	(108)	(15,350)	(22.3)	(113)	(15,311)	(22.2)
(Hyogo)	(35)	(5,656)	(8.2)	(37)	(5,713)	(8.3)
(Shiga)	(15)	(2,954)	(4.3)	(15)	(2,906)	(4.2)
(Nara)	(14)	(2,415)	(3.5)	(13)	(2,296)	(3.3)
(Wakayama)	(9)	(1,353)	(2.0)	(9)	(1,314)	(1.9)
Hokkaido area	16	1,786	2.6	17	1,800	2.6
Tohoku area	4	525	0.8	4	524	0.8
Kanto area	118	16,642	24.2	121	16,905	24.5
Koshinetsu area	8	866	1.3	8	865	1.3
Tokai area	48	7,607	11.0	49	7,462	10.8
Hokuriku area	16	2,019	2.9	16	1,865	2.7
Chugoku & Shikoku	17	1,792	2.6	17	1,889	2.7
Kyushu area	23	3,191	4.6	24	3,235	4.7
Total	473	68,861	100.0	486	68,995	100.0

(2) Capital investments

The Company made capital investments in the total amount of ¥1,739 million for the fiscal year ended March 31, 2017. The main investments were as follows:

Newly opened directly operated stores:
AEON HIGASHI SAPPORO store (Hokkaido); GYOZA OHSHO Omiya Nishiguchi store and Koshigaya Higashiguchi store (Saitama); Gyotoku Ekimae store and SEVEN PARK ARIO KASHIWA store (Chiba), Hachioji Kitaguchi store (Tokyo); Ario Hashimoto store (Kanagawa); Kurokawa store (Aichi); GYOZA OHSHO Kyoto Takashimaya store (Kyoto); Bentencho Ichioka store, Showamachi Ekimae store, Hirano Ekimae store, Tanimachi Hachome store and Kourien Ekimae store (Osaka); GYOZA OHSHO Hanshin Ashiya store and Awajishima Mihara store (Hyogo): total 16 stores

Renovated directly operated stores:
Tsurumi store (Kanagawa); Kandaimae store (Osaka); Shirakawadai store and Amagasaki Nishi store (Hyogo): total 4 stores

(3) Financing

The Company aims to stabilize and improve the efficiency of its mid-medium- to long-term financing foundation. The funds for capital investments have been mainly procured as long-term loans payable, whereas its own funds have been applied to the Company's working capital. The Company has arranged its fund procurement system to cope even with emergency spending by establishing the framework of a ¥36 billion maximum overdraft amount from the banks of account, jointly with the liquidity on hand (deposits).

(4) Basic management policy of the Company

Comfortable dining space, heartwarming hospitality and delicious foods make us "happy." The Company's social mission is to make more people feel "happy" by providing these values with higher quality at low prices.

The Company's basic management policy is as follows:

"Let's create "stores praised" by our customers!
Each step toward this goal makes us grow, makes us happy, and helps contribute to our society."

Based on this policy, the Company pursues and provides true customer services by respecting the Company's employees' "spirit of self-motivation and initiative" ("Think", "Say", "Act" and "Reflect") and promoting their growth and self- fulfillment.

(5) Management indices

The priorities of the Company are maintaining a proper cost of sales ratio and the managing expenses, and therefore, the most important performance indicator is the operating margin, which is a basic indicator of earnings. Currently, the Company's target is an operating margin of at least 8% and the Company plans to concentrate on reaching this goal. The Company's medium-term policy for shareholder distributions is to maintain a dividend payout ratio of 50%.

(6) Issues to be addressed

A harsh operating environment is expected to persist, affected by adverse factors such as the shrinking market size along with the trends of a low birthrate and an aging population; intensifying market competition due to the entry of other industries, such as the convenience store industry; a declining workforce; increasing raw material prices; diversifying consumer needs; increasing consumer awareness of safety, security, health and sanitation; and consumers' enhanced thriftiness in response to speculations of a rise in the consumption tax.

Under these circumstances, the Company set up a cross-functional team across multiple departments such as sales, production and headquarters for a company sustainable over one hundred years and pursue to create new values while maintaining old good things, with the recognition that the following are issues that need to be addressed.

1) Sustainable growth
   a. Store opening policy
      - Streamline kitchen equipment and develop urban-focused, energy-saving type stores
      - Accelerate new store openings especially in areas in East Japan
      - Promote opening stores located inside large commercial complexes and M&As based on a spirit of coexistence and co-prosperity
   b. Development of new businesses in product sales and overseas operations
      - Product sales operations for national and local supermarkets, convenience stores, and mail orders
      - Development of overseas business

2) Strengthening competitiveness
   a. Sales ability enhancement
      - Improve, amend or abandon existing menus around the key policy of the enhanced use of domestic ingredients
      - Create high-value-added original products in collaboration with the Company's plants by developing various products which meet tailored customer needs by area
   b. Productivity improvement

- Manage costs in a proper manner and systemize distribution of personnel
- Improve productivity by leveraging the delivery of preformed gyoza and the central kitchen format
- Restrict the break-even point in net sales with measures such as better-targeted capital investment

c. Central kitchen policies
- Establish a production system for supplying all of the Company's restaurants at the Company's flagship Higashimatsuyama Plant
- Establish a preformed gyoza supply system and streamline supply chains
- Promote the Company's half-finished private brand (PB) products and market research

3) Establishing management basis

a. Labor management environment and human resource development
- Establish a career development program and streamline flexible training menus in response to onsite requests
- Put into practice part-timer development tools through revisions to the current part-timer career upgrading system
- Reinforce recruiting activities based on the newly adopted personnel system and consider breaking through the issue of personnel shortages with the effective use of aged people and/or foreigners

b. Social contribution and environmental measures
- Create comprehensive reports including ESG and CSR

c. Organization and governance
- Respond to the spirit of the Corporate Governance Code
- Optimize the overall information management systems

d. Financial and capital policies
- Consider effective use of treasury stock
- Reduce and streamline total assets

(7) Changes in assets and income

(Millions of yen, unless otherwise stated)

Accounting period	40th term	41st term	42nd term	43rd term
Item	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	(Current fiscal year) Fiscal year ended March 31, 2017
Net sales	76,222	75,772	75,317	75,078
Ordinary income	7,249	6,425	6,544	5,801
Profit	4,312	3,683	4,068	3,839
Basic earnings per share (yen)	213.64	187.19	211.39	203.92
Net assets	41,978	42,309	43,936	43,832
Total assets	62,021	63,554	62,014	64,727
Net assets per share (yen)	2,079	2,160	2,289	2,341
Equity ratio	67.7%	66.6%	70.8%	67.7%

(8) Principal business segment

Business segment	Description of business
Chinese food business	Operation of Chinese cuisine–based restaurants and sales of Chinese foodstuffs to franchisees

(9) Major offices and plants

Head office	Kyoto
Office and Area headquarters	Tokyo and Kyushu (Fukuoka)
Plants	Kumiyama (Kyoto), Nishinoyama (Kyoto), Kyushu (Fukuoka), Sapporo (Sapporo), and Higashimatsuyama (Saitama)
Stores	486 directly operated stores
	231 franchised stores

(10) Employees

Number of employees	YoY change	Average age	Average service years
2,158	Increase by 158	33.2	8.5

Note: Apart from the above number of employees, 115 temporary workers and 5,864 part-timers (average number of personnel during the fiscal year calculated in terms of eight work hours per day) are employed.

(11) Major lenders

Lender	Balance of borrowings (Millions of yen)
Sumitomo Mitsui Trust Bank, Limited	1,584
Mizuho Bank, Ltd.	1,573
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,573
Sumitomo Mitsui Banking Corporation	1,573
THE SHIGA BANK, LTD.	1,026
The Nanto Bank, Ltd.	944
Resona Bank, Limited.	733
Kansai Urban Banking Corporation	491
The Norinchukin Bank	491
The Bank of Kyoto, Ltd.	324

2. Status of Shares

(1) Authorized number of shares: 90,000,000 shares

(2) Total number of shares issued: 23,286,230 shares (including 4,563,459 shares of treasury stock)

(3) Number of shareholders: 17,908 persons

(4) Major shareholders:

Shareholder name	Number of the Company's shares held	Investment ratio
	(Thousands)	%
ASAHI BREWERIES, LTD.	2,053	11.0
Japan Food Business Co., Ltd.	1,400	7.5
Ariake Japan Co., Ltd.	1,100	5.9
Umeko Kato	611	3.3
Hiromi Kato	602	3.2
Japan Trustee Services Bank, Ltd.	567	3.0
Kato Asao International Scholarship Foundation	528	2.8
The Master Trust Bank of Japan, Ltd.	438	2.3
BBH FOR FIDELITY LOW-PRICED STOCK FUND	412	2.2
Ohsho Food Service Client Stock Ownership Association	296	1.6

Notes: 1. The number of the Company's shares held is rounded down to the nearest 1,000.
2. Although the Company has 4,563,000 shares of treasury stock, the Company is excluded from the above table. The treasury stock is excluded from the calculation of the investment ratio.

3. Company Officers

(1) Directors and Corporate Auditors

Name	Position	Responsibilities, and significant concurrent positions
Naoto Watanabe	Representative Director and President	Chairman, OHSHO RESTAURANT SERVICE CO., LTD. President, OHSHO HEARTFUL CORP.
Hideki Koreeda	Managing Director	Executive Officer General Manager, Business Strategy Division Headquarters, General Manager, FC Promotion Department and General Manager, Sales Planning & Promotion Department
Yutaka Kiso	Managing Director	CFO and Executive Officer General Manager, Administration Division Headquarters, General Manager, General Affairs Department and General Manager, Information Systems Department
Masayuki Kamon	Managing Director	Executive Officer General Manager, Production Division Headquarters and General Manager, Production Control Department
Naoko Ikeda	Managing Director	Executive Officer Deputy General Manager, Administration Division Headquarters and General Manager, Human Resources Department Director, Social Security Attorney Office Aozora Consulting
Keiji Dohihara	Director	
Motoki Sugita	Director	Executive Officer and General Manager, Sales Department #1
Masayuki Watanabe	Director	Partner, Miyake & Partners Part-time Lecturer, Seikei University Law School Outside Director, NITTOC CONSTRUCTION CO., LTD.
Akihiko Inada	Director	Representative of Akihiko Inada CPA Office
Chikara Sekijima	Director	Adviser, Asahi Group Holdings, Ltd. General Manager, Asahi Guest House
Masatoshi Takahashi	Corporate Auditor (full time)	
Kenryo Nakatani	Corporate Auditor	Representative, Kenryo Nakatani Tax Accountant Office
Tetsuya Hara	Corporate Auditor	Corporate Auditor, Sankyo Co., Ltd.

Notes: 1. Directors Masayuki Watanabe, Akihiko Inada and Chikara Sekijima are Outside Directors as stipulated in Article 2, Paragraph 15 of the Companies Act.
2. Corporate Auditors Masatoshi Takahashi, Kenryo Nakatani and Tetsuya Hara are Outside Corporate Auditors as stipulated in Article 2, Paragraph 16 of the Companies Act.
3. Toshikazu Shikata was elected as a substitute Corporate Auditor at the 42nd Ordinary General Meeting of Shareholders held on June 28, 2016.
4. Director Akihiko Inada is qualified as certified public and tax accountant and has considerable financial and accounting knowledge.
5. Corporate Auditor Kenryo Nakatani has thorough knowledge of taxation as certified tax accountant and has considerable financial and accounting knowledge.
6. Yutaka Kiso resigned from the Corporate Auditor's position and assumed a position as Director at the 42nd Ordinary General Meeting of Shareholders held on June 28, 2016.
7. Yutaka Nakamura retired from the Corporate Auditor's position due to expiry of his term of office at the conclusion of the 42nd Ordinary General Meeting of Shareholders held on June 28, 2016.
8. Directors Masayuki Watanabe, Akihiko Inada and Corporate Auditor Tetsuya Hara are designated as Independent Directors/Auditors as stipulated by the Tokyo Stock Exchange. The Company has already registered them as Independent Directors/Auditors with the said exchange.

(2) Outline of Limited Liability Agreement

The Company has established provisions in its Articles of Incorporation that it may enter into an agreement with Directors (excluding Directors who have authority over operations) and Corporate Auditors to limit the liability for compensation of damages in accordance with Article 427, Paragraph 1 of the Companies Act.

In accordance with the above provision in its Articles of Incorporation, the Company has entered into such a limited liability agreement with all the Outside Directors and Corporate Auditors, and the outline of the agreement is as follows:

- The Outside Directors and Outside Corporate Auditors of the Company shall, after the conclusion of said limited liability agreement, be liable for the damages set forth in Article 423, Paragraph 1, of the Companies Act. The amount of such liability shall be up to ¥5 million or the minimum amount prescribed in the provision of Article 425, Paragraph 1, of the Companies Act, whichever is higher, as long as they perform their duties in good faith and without gross negligence.

(3) Remuneration, etc., for Directors and Corporate Auditors

Category	Number of persons provided	Amount of remuneration, etc., provided (Millions of yen)
Directors (Of which, Outside Directors)	10 (4)	283 (25)
Corporate Auditors (Of which, Outside Corporate Auditors)	5 (5)	21 (21)
Total	15	305

Notes:
1. Other than the above, employee-portion salary (including bonus) of ¥8 million was paid to one Director who also holds an employee post.
2. The remuneration for Directors was determined to be within ¥300 million per year (including ¥30 million per year for Outside Directors) by a resolution adopted by the General Meeting of Shareholders held on June 26, 2015.
3. The remuneration for Corporate Auditors was determined to be within ¥40 million per year by a resolution adopted by the General Meeting of Shareholders held on June 26, 2015.
4. The basic policy regarding remuneration, etc., for Directors and Corporate Auditors is to determine appropriate remuneration levels for them by taking into account the business environment, operating performance, consistency with the treatment of ordinary employees and other factors while conforming with the principle of the remuneration system that contributes to enhancing corporate value.
   The total amount of the remuneration for Directors and Corporate Auditors has been determined by respective resolutions at the General Meeting of Shareholders. The allocation to each Director is decided by the Board of Directors through deliberations at the Compensation Advisory Committee, which is chaired by an Outside Director, whereas the allocation to each Corporate Auditor is determined through consultations among the Corporate Auditors. The remuneration for Directors consists of monthly compensation and bonus and will be paid in view of the Company's operating performance based on the content of the duties and position of the respective Directors. A certain amount to be contributed from such monthly compensation for Directors shall be used for purchases of the Company's own shares through the share ownership plan of directors and officers from the viewpoint of reflecting medium- to long-term operating results. Fixed amounts shall be paid to the respective Corporate Auditors from the perspective of ensuring high independence of their duties through consultations at the Board of Corporate Auditors.
5. The number of persons provided for Outside Directors includes Naoko Ikeda who resigned as Outside Director to assume the office of Director at the 42nd Ordinary General Meeting of Shareholders held on June 28, 2016.
6. The number of persons provided for Corporate Auditors includes Yutaka Nakamura who retired from the position of the Corporate Auditor, and Yutaka Kiso who resigned as Corporate Auditor to assume office of Director at the 42nd Ordinary General Meeting of Shareholders held on June 28, 2016.

(4) Outside Officers

1) Relationship between corporations at which the outside officers of the Company have their concurrent positions and the Company

The corporations have no special interests in the Company that might have an impact on the independence of supervision and audit.

2) Major activities of outside officers

Name	Title	Main activities
Masayuki Watanabe	Director	Participated in 19 out of 20 meetings of the Board of Directors during the fiscal year ended March 31, 2017; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a lawyer.
Akihiko Inada	Director	Participated in all meetings of the Board of Directors during the fiscal year ended March 31, 2017; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a certified public and tax accountant.
Chikara Sekijima	Director	Participated in all meetings of the Board of Directors held after his assumption of office during the fiscal year ended March 31, 2017; timely provided necessary opinions on agenda items, subjects of deliberations and other issues.
Masatoshi Takahashi	Corporate Auditor (full time)	Participated in all meetings of the Board of Directors and all meetings of the Board of Corporate Auditors held after his assumption of office during the fiscal year ended March 31, 2017; timely provided necessary opinions on agenda items, subjects of deliberations and other issues.
Kenryo Nakatani	Corporate Auditor	Participated in all meetings of the Board of Directors and all meetings of the Board of Corporate Auditors during the fiscal year ended March 31, 2017; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly from a professional viewpoint as a certified tax accountant.
Tetsuya Hara	Corporate Auditor	Participated in all meetings of the Board of Directors and all meetings of the Board of Corporate Auditors held after his assumption of office during the fiscal year ended March 31, 2017; timely provided necessary opinions on agenda items, subjects of deliberations and other issues.

4. Accounting Auditor

(1) Accounting Auditor's Name

Deloitte Touche Tohmatsu LLC

(2) Limited Liability Agreement

The Company has established provisions in its Articles of Incorporation so that it may enter into an agreement with the Accounting Auditor to limit the liability for compensation of damages in accordance with Article 427, Paragraph 1 of the Companies Act.

In accordance with the above provision in its Articles of Incorporation, the Company has entered into such a limited liability agreement with the Accounting Auditor, and the outline of the agreement is as follows:

1) The Accounting Auditor shall be liable for damages in the following:
   The amount of such liability shall be up to ¥50 million or the amount that is obtained by multiplying the highest value of the totals of financial profits having been received or to be received in the respective business years as remuneration and in consideration of any other execution of duties during the tenure as the Accounting Auditor by 2, whichever is higher, unless there has been any act, intentional or by gross negligence, with regard to damage that the Company incurred in the course or as a result of the performance of said agreement by the Accounting Auditor.
2) The Company shall judge whether said act of the Accounting Auditor meets the requirement in 1) above, and notify the result to the Accounting Auditor as soon as possible.

(3) Accounting Auditor's Compensation, etc., for the fiscal year under review

	Amount paid
1) Compensation, etc., to the Accounting Auditor pertaining to the fiscal year ended March 31, 2017	¥38 million
2) Total amount of monetary and other economic benefits payable by the Company to the Accounting Auditor	¥54 million

Notes:
1. In accordance with the "Practical Guidelines regarding Collaboration with Accounting Auditors," which was publicly announced by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors of the Company examined the hours spent by audit item, change in audit compensation and the operating performance for the previous fiscal year. As a result, judging that the compensation amounts above are fair and reasonable, the Board of Corporate Auditors has given its consent, as set forth in Article 399, Paragraph 1, of the Companies Act, with regard to compensation, etc., to the Accounting Auditor.
2. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Law are not strictly distinguished from each other, and cannot be distinguished substantially. Consequently, the above amount in 1) includes their total.
3. The Company paid fees to the Accounting Auditor in relation to advice on the International Financial Reporting Standards (IFRS), which fell under the non-audit services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy for determining the dismissal or non-reappointment of the Accounting Auditor

In case the Accounting Auditor does not perform audit duties properly or for other reasons the Board of Corporate Auditors determine that its termination or nonrenewal of appointment is necessary, the Board of Corporate Auditors will prepare the proposal of termination or nonrenewal of appointment of the Accounting Auditor. Based on the decision of the Board of Corporate Auditors, the Board of Directors will submit the proposal to be included on the agenda of a General Meeting of Shareholders.

In the event that the Accounting Auditor is deemed to have met any of the grounds set forth in each Item of Article 340, Paragraph 1 of the Companies Act, based on unanimous approval of the Corporate Auditors, the Board of Corporate Auditors can dismiss the Accounting Auditor.

5. Systems to Ensure Proper Business Execution and the Progress of System Development

The Company resolved the Basic Policy on Establishing an Internal Control System at its Board of Directors meeting. The content and the progress of system development are as follows:

(1) System to ensure that Directors' and employees' execution of duties complies with the laws and regulations, and the Articles of Incorporation

The Company shall formulate the Code of Conduct, which stipulates that awareness of compliance including the elimination of relations with antisocial forces should be raised, and keep the Directors and employees well-informed about said code via training sessions and the appropriation of relevant booklets. This approach has the purpose of ensuring that the Company can fulfill the Company's social corporate responsibility by ensuring that Directors' and employees' execution of duties complies with laws and the Articles of Incorporation. In addition, the Company shall establish the Compliance Committee to streamline compliance-related provisions for internal education.

The Company shall appropriately perform important operations such as store operation, etc., and report the operating reports without omission. The Company also shall streamline diverse rules such as the Duty Authority Rules aimed at fulfilling inter-organizational and intra-organizational mutual supervision in the decision-making and business execution processes.

Furthermore, the Company shall establish a whistleblower system, an internal reporting system for reporting to or consulting with in-house staff in charge or a corporate legal counsel in case anyone identifies a compliance-related issue, to pursue the prevention, early detection and solution of such issues. The Company shall establish the Internal Auditing Department as an organization that is under the direct control of the Board of Directors and is independent from the business-executing departments/divisions. The Internal Auditing Department shall conduct internal audits to examine stores, plants, the head office and/or subsidiaries with regard to the compliance status of laws and regulations and internal regulations, as well as the content of business execution thereat. The Internal Auditing Department shall report the results of its audits to the President, the Board of Directors and the respective Corporate Auditors.

[Progress of system development]

The Company has disclosed the Compliance Declaration and the Code of Conduct internally and externally by posting them on the Company's Website. To raise awareness of compliance, all employees undergo compulsory, rank-specific training sessions. The Company has also formulated a basic policy regarding the elimination of relations with antisocial forces and posted it on the Company's Website and at each business establishment. With an aim to cultivate awareness of compliance and elimination of antisocial forces, the Company has developed a brochure to distribute to all the permanent employees. Furthermore, the Company has appointed managers of directly operated stores as those responsible for preventing loss or damage caused by unreasonable demands and have them attend a training session organized by the Center for Removal of Criminal Organization of each prefecture. To ensure the smooth functioning of the internal reporting system, certain employees of the General Affairs Department and outside corporate lawyers handle the contact with informants. Information transmitted through the system is reported to the Compliance Committee Members for subsequent improvement and the prevention of a recurrence.

The Internal Auditing Department formulates internal auditing plans and conducts various audits every fiscal year.

(2) System for storage and management of information related to Directors' execution of duties

The Company shall store and record documents and other information related to Directors' execution of duties in an appropriate manner, in accordance with the relevant provisions of the Document Management Rules and the Electronic Management Rules.

[Progress of system development]

The documents associated with the Board of Directors are appropriately managed by specifying the maximum storage period and the department in charge and other matters in accordance with the

above rules.

(3) Regulations and any other systems for management of risk of loss

The Company shall draw out, select and analyze risks mainly at the Risk Management Conference in accordance with the Risk Management Rules, and determine response policies, and the relevant department/division in charge and training policies for each risk. At the same time, the Company shall conduct, as required, companywide or department-specific internal audits through the Internal Auditing Department. Each Department/Division Chief shall swiftly take corrective and/or improvement measures with regard to the problems that have been revealed through the self-inspection process, internal audits and other means, and revise or abandon the relevant rules, etc., as the need arises.

The Company shall establish a posteriori response system by formulating the Detailed Emergency Response Rules in advance to minimize the risk-related loss even if a risk surfaces.

[Progress of system development]

Based on measures (in the medium-term and annual plan) developed by the Risk Management Conference to response to priority risks, each department in charge is responsible for implementing such measures. The Conference regularly monitor the progress of implementation and correct measures, if necessary. The Company has also developed the Basic Crisis Management Manual, the PR Crisis Management Manual, and other manuals to stipulate the basic response when risks occur.

(4) System to ensure that Directors' execution of duties is efficient

The Company shall hold meetings of the Board of Directors once per month or ad hoc, as the need arises. The Board of Directors shall prepare statutory matters, as well as management targets including medium-term management policies and Ordinary budgeting, and monitor the status of business execution with reference to its prescribed plans. Each department shall prepare and execute its own specific measures toward the achievement of its targets.

In addition to the meetings of the Board of Directors, the Company shall hold the meetings of the Management Committee, once per month regularly or ad hoc, as the need arises. The Executive Board shall thoroughly discuss important managerial projects to ensure efficient execution thereof. In addition, the Executive Board shall have departmental heads attend Board meetings, as the need arises, to ensure efficient business execution by receiving reports therefrom on executed/managed circumstances of the matters of concern and giving appropriate directions thereto.

The Company shall promote assignment of authority in accordance with the relevant provisions of the Organization Rules, the Job Authorization Rules and the Regulations for Segregation of Duties to ensure prompt and efficient operations at the respective departments by clarifying the responsibilities.

[Progress of system development]

Monthly, quarterly and annual budgets, as well as the planning and/or achievement status of individual policies, are reported to the Board of Directors and the Management Committee for multifaceted review, which will ensure appropriate achievement and/or control of management targets.

(5) System to ensure proper business execution within the Company Group consisting of the Company and its subsidiaries

The Company shall formulate the Affiliated Companies Management Rules to ensure proper business execution at its subsidiaries. The Company shall also provide the necessary administrative services in response to the circumstances of its affiliates.

In addition, the Company shall, as the need arises, dispatch its Directors and/or other executives to its subsidiaries to understand and resolve problems thereat.

The Internal Auditing Department shall regularly or ad hoc, as the need arises, audit such administrative supervisory structure to report the results to the President, the respective Directors and Corporate Auditors. Receiving reports from the Internal Auditing Department, the Corporate Auditors shall consult with each other at the Board of Corporate Auditors and provide proposals and/or recommendations to the Board of Directors, as necessary.

[Progress of system development]

The Company establishes a subsidiary with the system in place whereby the Company can monitor its cash and deposits management and sales management to ensure proper execution of operations by the subsidiary.

(6) Matters regarding employees in cases where a Corporate Auditor requests that the Company place several employees as assistants to support his/her duties and the independence of the employees concerned from Directors in such cases

If a Corporate Auditor requests that the Company place several employees as assistants to support his/her duties, the Company shall consult with said Corporate Auditor and designate several employees who are affiliated with the Internal Auditing Department as dedicated assistants who should support said Corporate Auditor.

To ensure the independence of such employees as assistants, the decisions on authority over personnel affairs such as the assignment and transfer of said employees shall require prior consent of the Corporate Auditor concerned without being under the direction or subject to an order of any Director.

[Progress of system development]

The Internal Auditing Department also functions as the secretariat of the Board of Corporate Auditors. The personnel affairs and other matters involving staff employees of the Internal Auditing Department are therefore determined through consultations with the relevant Corporate Auditor.

(7) Systems to help Directors and employees report to any Corporate Auditors and other systems relating to reporting to the Corporate Auditors, as well as other systems to ensure effective audits by the Corporate Auditors

In addition to cases where they have recognized any possible matters and/or misconduct that could cause significant damage to the Company and/or an act that has violated any important laws/regulations and the relevant provision(s) of the Articles of Incorporation, Directors and employees shall report to the Corporate Auditors such matters as agenda items submitted for deliberation at the Board of Directors, matters for consultations at the Management Committee, the status of the implemented internal audits, important monthly reports and other important matters, in accordance with laws and regulations.

The Corporate Auditors shall attend the meetings of the Board of Directors to understand important decision-making processes and the status of business execution. Meanwhile, the Full-Time Corporate Auditors shall attend important conferences/meetings other than those of the Board of Directors, examine important authorized (kessai) documents and associated information regarding the performance of their duties and seek explanations from the Directors and employees, as necessary.

The Corporate Auditors shall keep close and tight cooperation with the Internal Auditing Department and the Accounting Auditor to achieve their audit results. If deemed necessary, they shall be allowed to leverage external advisers such as attorneys and consultants.

[Progress of system development]

The Corporate Auditors obtain necessary information from Directors, employees and other personnel by attending Board of Directors, Management Committee and other meetings, as well as receive information from the Internal Auditing Department. In addition, the Corporate Auditors, the Accounting Auditor and the Internal Auditing Department meet on a quarterly basis to receive reports on accounting auditing policies and audit results from the Accounting Auditor, as well as for the exchange of information.

(8) System to ensure fairness of financial reporting

To ensure the fairness of financial reporting in compliance with the Financial Instruments and Exchange Act, the Company has established its internal structure to streamline, operate and assess its internal control systems for financial reporting in accordance with relevant laws and regulations.

[Progress of system development]

The Internal Auditing Department independently assesses the internal control systems established by the respective departments. This department always communicates and coordinates with the Corporate Auditors and the Accounting Auditor to pursue the execution of efficient audits.

6. Basic Views on Eliminating Antisocial Forces and the Progress of System Development

(1) Basic views

The Company's basic policy is to adopt a resolute stand toward, and eliminate any and all relations with, antisocial forces and bodies threatening the order and security of civil society, and to never conduct any acts that encourage their activities.

(2) Development of an internal system toward eliminating antisocial forces

The Company specifies a basic policy toward antisocial forces in the Code of Conduct and makes the basic policy thoroughly known to all of its Directors, Corporate Auditors, executive officers and employees.

With respect to concrete measures, the General Affairs Department is designated as the administrative supervisory department to eliminate antisocial forces and plays a leading role in developing a system for said purpose.

With respect to the selection of business partners, etc., the Company has stipulated an "Implementation Guideline on the Investigation of Business Partners" and conducts prescribed investigations in accordance with the guideline, either at the beginning of transactions in the case of new business partners or periodically in the case of existing partners.

In addition, if involvement with antisocial forces is initially undetected during prior checks but later revealed after employment or transactions begin, the Company will address the fact by arranging for the suspension of the transactions or retirement from employment, and thereby endeavor to sever all connections with the antisocial forces.

In addition, the Company has joined a council on corporate defense countermeasures, etc., and collects and administers information in coordination with external professional and relevant agencies, etc., including lawyers and police agencies, and has established a system to solve problems that arise when confronted by undue demands from antisocial forces.

7. Basic Policy Regarding the Control of Joint-Stock Companies

(1) Basic policy regarding the Company's control

As the Company is a listed company, its shareholders and general investors can freely trade its shares on the markets. Accordingly, the Company believes that the decision of whether to accept another party's purchase offer or any similar action for the purpose of making a large-scale purchase of the Company's shares ultimately should be entrusted to its shareholders without denying such an offer categorically.

In recent years in Japan's capital market, however, the Company has witnessed an emerging trend of unilaterally forcing through such purchase offers or similar actions without pursuing approval of the management of the targeted companies. The Company believes that persons who control the decision making of the financial and business policies of the Company must be able to ensure and enhance the corporate value of the Company and the common interests of the shareholders over the medium to long term by completely understanding the basic management philosophy, the various sources of corporate value and the trust relationships among the various

stakeholders. Therefore, the Company believes that persons who make inappropriate large-scale purchase offers or perform similar actions that might harm the corporate value of the Company or the common interests of the shareholders are not suited to control the decision making of the financial and business policies of the Company.

(2) Efforts to realize the basic policy regarding the Company's control

As specific efforts to enhance the corporate value of the Company and the common interests of the shareholders, the Company has implemented various measures to encourage numerous investors to continue further investments in the Company. The Company believes this approach contributes to the realization of the basic policy regarding the Company's control.

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Financial Statements

Non-Consolidated Balance Sheet

(Millions of yen)

Account	43rd Fiscal year (As of March 31, 2017)	Account	43rd Fiscal year (As of March 31, 2017)
ASSETS		**LIABILITIES**	
Current assets	**13,736**	**Current liabilities**	**17,501**
Cash and deposits	11,750	Accounts payable—trade	1,993
Accounts receivable—trade	365	Short-term loans payable	5,000
Merchandise and finished goods	135	Current portion of long-term loans payable	3,399
Raw materials	305	Accounts payable—other	2,288
Prepaid expenses	425	Accrued expenses	2,084
Deferred tax assets	458	Income taxes payable	1,205
Other	326	Provision for bonuses	912
Allowance for doubtful accounts	(32)	Other	618
Non-current assets	**50,991**	**Non-current liabilities**	**3,393**
Property, plant and equipment	**39,202**	Long-term loans payable	1,916
Buildings	13,696	Deferred tax liabilities on land revaluation	506
Structures	912	Asset retirement obligations	727
Machinery and equipment	2,632	Other	242
Vehicles	53	**Total liabilities**	**20,895**
Tools, furniture and fixtures	936	**NET ASSETS**	
Land	20,857	**Shareholders' equity**	**44,103**
Construction in progress	112	**Capital stock**	**8,166**
Intangible assets	**130**	**Capital surplus**	**9,031**
Software	99	Legal capital surplus	9,026
Right of using facilities	31	Other capital surplus	4
Investments and other assets	**11,657**	**Retained earnings**	**37,730**
Investment securities	5,531	Legal retained earnings	940
Shares of subsidiaries and associates	30	Other retained earnings	36,790
Investment in capital of subsidiaries and associates	94	Reserve of gains on insurance claims	23
Long-term loans receivable	72	Reserve for advanced depreciation of non-current assets	241
Long-term prepaid expenses	79	General reserve	22,800
Prepaid pension cost	437	Retained earnings brought forward	13,725
Deferred tax assets	1,192	**Treasury stock**	**(10,823)**
Guarantee deposits	4,218	**Valuation and translation adjustments**	**(271)**
Other	27	**Valuation difference on available-for-sale securities**	**3,282**
Allowance for doubtful accounts	(24)	**Revaluation reserve for land**	**(3,554)**
		Total net assets	**43,832**
Total assets	**64,727**	**Total liabilities and net assets**	**64,727**

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

Non-Consolidated Statement of Income

(Millions of yen)

Account	43rd Fiscal Year (From April 1, 2016 to March 31, 2017)
Net sales	**75,078**
Cost of sales	22,624
Gross profit	**52,453**
Selling, general and administrative expenses	46,959
Operating income	**5,494**
Non-operating income	**424**
Interest and dividend income	49
Land and house rent received	74
Franchise chain accession fee	107
Other	193
Non-operating expenses	**116**
Interest expenses	23
Rent expenses	35
Donation for disaster relief	41
Cash over and short	14
Other	1
Ordinary income	**5,801**
Extraordinary income	**411**
Gain on sales of non-current assets	26
Compensation income for expropriation	384
Extraordinary losses	**653**
Loss on retirement of non-current assets	133
Loss on sales of non-current assets	82
Impairment loss	437
Income before income taxes	**5,558**
Income taxes—current	1,904
Income taxes—deferred	(185)
Net income	**3,839**

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2016, to March 31, 2017)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
						Other retained earnings				Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve of gains on insurance claims	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance as of April 1, 2016	8,166	9,026	4	9,031	940	25	247	22,800	12,485	36,497
Changes of items during period										
Reversal of reserve of gains on insurance claims						(1)			1	—
Reversal of reserve for advanced depreciation of non-current assets							(5)		5	—
Dividends of surplus									(2,370)	(2,370)
Net income									3,839	3,839
Purchase of treasury stock										—
Reversal of revaluation reserve for land									(236)	(236)
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	(1)	(5)	—	1,240	1,232
Balance as of March 31, 2017	8,166	9,026	4	9,031	940	23	241	22,800	13,725	37,730

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Restated balance as of April 1, 2016	(9,023)	44,671	3,055	(3,791)	(735)	43,936
Changes of items during period						
Reversal of reserve of gains on insurance claims		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends of surplus		(2,370)				(2,370)
Net income		3,839				3,839
Purchase of treasury stock	(1,799)	(1,799)				(1,799)
Reversal of revaluation reserve for land		(236)		236	236	—
Net changes of items other than shareholders' equity			226	—	226	226
Total changes of items during period	(1,799)	(567)	226	236	463	(104)
Balance as of March 31, 2017	(10,823)	44,103	3,282	(3,554)	(271)	43,832

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

Accounting Auditor's Audit Report on the Non-Consolidated Financial Statements (duplicated copy)

Independent Auditor's Report

May 16, 2017

To the Board of Directors
Ohsho Food Service Corp.

Deloitte Touche Tohmatsu LLC
Yukihiko Kimura (Seal)
Designated Limited Liability Partner,
Engagement Partner
Certified Public Accountant
Nobuyuki Nakata (Seal)
Designated Limited Liability Partner,
Engagement Partner
Certified Public Accountant

We have audited, pursuant to Article 436, Paragraph 2, Item 1, of the Companies Act, the non-consolidated financial statements, which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the significant accounting policies and other notes to non-consolidated financial statements and the supplementary schedules thereof of Ohsho Food Service Corp. (hereinafter referred to as the "Company") for the 43rd fiscal year from April 1, 2016, to March 31, 2017.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls that management considers necessary for the preparation and fair presentation of non-consolidated financial statements and accompanying supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplementary schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the financial statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in the changes in accounting policies wherein changes in accounting estimates are difficult to distinguish, the Company has changed the depreciation method for property, plant and equipment from the previously adopted declining-balance method to the straight-line method effective from the current fiscal year.

Our opinion is not qualified in respect of this matter.

Relationship of Interest

We have no interests in or relationships with the Company that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Board of Corporate Auditors' Audit Report (duplicated copy)

Audit Report

Regarding the performance of duties by the Directors for the 43rd fiscal year from April 1, 2016, to March 31, 2017, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Corporate Auditor.

1. Auditing Methods Employed by the Corporate Auditors and the Board of Corporate Auditors and the Substance Thereof

   (1) The Board of Corporate Auditors established auditing policies, allocation of duties and other relevant matters, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
   (2) Each Corporate Auditor complied with the auditing standards of the Corporate Auditors established by the Board of Corporate Auditors; followed the auditing policies, allocation of duties and other relevant matters; communicated with the Directors, the Internal Auditing Department and other employees and any other relevant personnel; and made efforts to prepare the environment for information collection and audit, and, at the same time, conducted his/her audit in the following manner.
      1) Each Corporate Auditor attended the meetings of the Board of Directors and other important meetings; received reports from the Directors, employees and other relevant personnel regarding performance of their duties; sought explanations as necessary; examined important authorized documents and associated information; and studied the operations and financial positions at the head office and principal business offices.
      2) With respect to the system for ensuring that the performance of duties by the Directors as stated in the Business Report conforms to the related laws and regulations and Articles of Incorporation, and the system established based on the content of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act (internal control system), each Corporate Auditor received regular reports from Directors, employees and other relevant personnel regarding the established status and progress of system development, requested explanations as needed and expressed opinions.
      3) With respect to the basic policy and each of the efforts that are stipulated in Article 118, Item 3 a) and b), of the Ordinance for Enforcement of the Companies Act and described in the Business Report, each Corporate Auditor examined the content thereof after taking into account the deliberations at the Board of Directors and other relevant organs.
      4) Each Corporate Auditor monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, each Corporate Auditor received notice from the Accounting Auditor that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been established in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council (BACD) on October 28, 2005) and other relevant standards, and sought explanations, as necessary.

Based on the above methods, we examined the Business Report and supporting schedules thereof, as well as non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and supporting schedules thereof.

2. Results of Audit

(1) Results of audit of Business Report and other relevant documents

1) In our opinion, the Business Report and the supplementary schedules thereof are in accordance with the related laws and regulations, and Articles of Incorporation, and fairly represent the Company's condition.
2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
3) In our opinion, the content of the resolutions of the Board of Directors related to the internal control system is fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.
4) We have found no matters to point out with respect to the basic policy on the personnel with control over decisions about the Company's policies on financial matters and business operations, which is described in the Business Report. In our opinion, each of the efforts that are stipulated in Article 118, Item 3 b) of the Ordinance for Enforcement of the Companies Act and described in the Business Report is in line with the relevant basic policy, does not impair the common interests of the Company's shareholders and is not intended to maintain the position of the Company's executives.

(2) Results of audit of non-consolidated financial statements and supplementary schedules thereof

In our opinion, the methods and results employed and rendered by Deloitte Touche Tohmatsu LLC are fair and reasonable.

May 19, 2017

Board of Corporate Auditors, Ohsho Food Service Corp.

Full-Time Outside Corporate Auditor	Masatoshi Takahashi (Seal)
Outside Corporate Auditor	Kenryo Nakatani (Seal)
Outside Corporate Auditor	Tetsuya Hara (Seal)