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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,
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INFORMATION DISCLOSURE ON THE INTERNET REGARDING THE NOTICE OF THE 43RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notes to Non-Consolidated Financial Statements on pages 2 to 10

Notes to Non-Consolidated Financial Statements have been provided to shareholders on the Company's Website pursuant to provisions of laws and regulations as well as Article 18 of the Company's Articles of Incorporation.
< Company Website> http://www.ohsho.co.jp

Notes to Non-Consolidated Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for valuation of important assets

① Securities

Available-for-sale securities

Marketable available-for-sale securities are stated at the market value based on quoted market prices, etc., on the balance sheet date. (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

② Inventories

Inventories are stated at cost determined by the weighted-average method. (The figures shown in the non-consolidated balance sheet have been calculated by writing them down based on a decline in profitability.)

(2) Depreciation or amortization method for depreciable or amortizable assets

Property, plant and equipment are depreciated on a straight-line basis mainly over the useful lives of ten (10) to thirty-eight (38) years for buildings, ten (10) to twenty (20) years for structures and eight (8) to ten (10) years for machinery and equipment.

Intangible assets are amortized on a straight-line basis. Computer software for internal use is amortized evenly over the estimated internal useful life of five (5) years.

Long-term prepaid expenses are amortized over the contract period.

(3) Accounting standards for important reserves

① Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables, and the estimated amount of irrecoverable debt is stated based on the recoverability of individual cases for specified receivables such as doubtful accounts.

② Provision for bonuses

A provision for bonuses is stated at the estimated amount of bonuses to be paid to employees and part-time workers during the fiscal year under review.

③ Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is provided based on the estimated amount of retirement benefit obligations and plan assets at the end of the fiscal year under review.

Method of attributing the projected benefit obligations to periods:

The benefit formula basis is applied to attribute the projected benefit obligations to periods of service until the end of the fiscal year under review.

Method of amortizing actuarial differences:

Actuarial differences are amortized on a straight-line basis over the determined period (3 years) within the average remaining service years of employees when the differences occur, beginning from the fiscal year following the time of occurrence.

If the plan assets to be recognized at the end of the fiscal year under review exceed the amount obtained by deducting the unrecognized actuarial differences from the retirement benefit obligations, the excess is recorded as "Prepaid pension cost" under Investments and other assets.

(4) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at the amount exclusive of consumption taxes.

2. Changes in Accounting Policies

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Changes in depreciation method of property, plant and equipment)

Effective from the fiscal year under review, the Company changed the depreciation method for property, plant and equipment from the previously adopted declining-balance method to the straight-line method.

In line with the commencement of full-scale operation of our flagship Higashimatsuyama Plant in the fiscal year under review, the Company examined the status of use of property, plant and equipment.

As a result of the examination, the Company's property, plant and equipment are expected to be utilized stably over their estimated useful lives, hence it is more appropriate to allocate depreciation expenses evenly over their estimated useful lives. Therefore, the depreciation method for property, plant and equipment was changed to the straight-line method.

As a result, operating income for the fiscal year under review increased by ¥1,124 million, and both of ordinary income and income before income taxes for the same period each increased by ¥1,130 million, compared with their respective amounts calculated using the previous method.

3. Notes to the Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥43,895 million

(2) Guarantee obligations

The Company provided a quasi-guarantee of other companies' debts payable to financial institutions, etc., as follows.

Owners of four (4) franchisees: ¥71 million

(3) Application of the Act on Revaluation of Land

The Company revalued its land for business use in accordance with the Act on Revaluation of Land (Law No. 34 enforced on March 31, 1998) and the Law for Partial Revision to the Act on Revaluation of Land (Law No. 19 enforced on March 31, 2001). Any difference resulting from the revaluation has been recorded as "Revaluation reserve for land" under Net assets, net of the related tax, which is stated as "Deferred tax liabilities on land revaluation" under Liabilities.

Method of revaluation

Revaluation was made based on the land price determined using the method established and published by the Director General of the National Tax Agency to calculate the land value that forms the basis for determining the taxable value for land value tax prescribed in Article 16 of the Land Value Tax Law (Law No. 69 enforced in 1991), which is stipulated in Article 2, Item 4, of the Ordinance for Enforcement of the Act on Revaluation of Land (Government Ordinance No. 119 enforced on March 31, 1998), reflecting reasonable adjustments, such as those concerning the land shape.

Date of revaluation: March 31, 2002

Difference between the fair value of the revalued land as of March 31, 2017, and its book value after revaluation: ¥(6,104) million

(4) Total amount of monetary obligations to Directors: ¥66 million

4. Notes to the Non-Consolidated Statement of Income

Impairment loss

The Company records the impairment loss as follows.

Area	Usage	Type	Impairment loss (Millions of yen)
Kansai Area	Five (5) stores	Buildings; structures; machinery and equipment; and tools, furniture and fixtures	42
Hokkaido Area	Four (4) stores	Buildings; structures; machinery and equipment; and tools, furniture and fixtures	62
Tohoku Area	One (1) store	Buildings; structures; and tools, furniture and fixtures	20
Kanto Area	Three (3) stores	Buildings; structures; machinery and equipment; and tools, furniture and fixtures	93
Tokai Area	One (1) store	Buildings; structures; and tools, furniture and fixtures	4
Hokuriku Area	Two (2) stores	Buildings; structures; machinery and equipment; vehicles; and tools, furniture and fixtures	29
Kyushu Area	Two (2) stores	Buildings; structures; and tools, furniture and fixtures	26
Other	Assets planned to be disposed	Land	157
Total			437

The grouping of assets is made mainly on the basis of stores and for the assets planned to be disposed,

on the basis of items. As to the stores for which operating income has deteriorated and assets planned to be disposed, an impairment loss of ¥437 million (¥157 million for land, ¥232 million for buildings, ¥12 million for structures, ¥6 million for machinery and equipment, ¥1 million for vehicles and ¥26 million for tools, furniture and fixtures) was recorded by reducing their book value to their recoverable value. The recoverable value of assets for use at the stores was measured with the value in use at a discount rate of 5%. In addition, the recoverable value of assets planned to be disposed was measured with the net selling value, which is computed mainly based on the estimated selling value.

5. Notes to the Non-Consolidated Statement of Changes in Net Assets

(1) Type and number of issued shares

Type of shares	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	23,286,230	—	—	23,286,230

(2) Type and number of treasury stock

Type of shares	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	4,100,059	463,400	—	4,563,459

Note: The increase of 463,400 treasury stock consisted of 463,400 shares acquired in accordance with a resolution of the Board of Directors.

(3) Dividends

① Dividends paid

Resolution	Type of stock	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 28, 2016	Common stock	1,247	65	March 31, 2016	June 29, 2016
Meeting of the Board of Directors on October 30, 2016	Common stock	1,123	60	September 30, 2016	December 2, 2016

②Dividends for which the record date falls within the fiscal year under review, but for which the effective date comes in the following fiscal year

The following dividends on common stock will be proposed at the Ordinary General Meeting of Shareholders to be held on June 28, 2017.

Resolution	Type of stock	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 28, 2017	Common stock	1,123	60	March 31, 2017	June 29, 2017

The source for the payment of dividends will be retained earnings.

6. Tax-Effect Accounting

(1) Major components of deferred tax assets and liabilities

① Current assets and liabilities	(Millions of yen)
Deferred tax assets:	
Provision for bonuses	280
Enterprise taxes payable	101
Other	77
Total deferred tax assets	**458**

② Non-current assets and liabilities	(Millions of yen)
Deferred tax assets:	
Allowance for doubtful accounts	17
Property, plant and equipment	2,112
Accumulated impairment loss	452
Asset retirement obligations	221
Investment securities	193
Other	81
Total gross deferred tax assets	3,080
Valuation allowance	(367)
Total deferred tax assets	**2,712**
Deferred tax liabilities:	
Expenses for fulfilling asset retirement obligations	108
Prepaid pension cost	133
Reserve for advanced depreciation of non-current assets	106
Valuation difference on available-for-sale securities	1,161
Reserve of gains on insurance claims	10
Total deferred tax liabilities	**1,519**
Net deferred tax assets	**1,192**

(2) Breakdown of items that caused the difference between the statutory tax rate and the effective tax rate after the adoption of tax-effect accounting

Statutory tax rate	30.7%
(Adjustment)	
Per capita taxes	4.3%
Entertainment expenses, etc.	0.2%
Decrease in valuation allowance	(1.2)%
Tax credits for salary growth	(2.4)%
Tax credits for promoting investment	(0.1)%
Other	(0.6)%
Effective tax rate after the adoption of tax-effect accounting	**30.9%**

7. Financial Instruments

(1) Status of financial instruments

① Policy for handing financial instruments

The Company limits the financial instruments for fund management to short-term financial assets such as deposits, while using bank loans to raise funds. The Company uses derivatives to hedge the interest-rate risk associated with loans payable and does not engage in speculative transactions.

② Components and risks of financial instruments and methods of risk management

Investment securities mostly consist of shares of the companies with which the Company has

business relations, which are exposed to market price fluctuation risk. Such risk is controlled by confirming those shares' fair value on a regular basis, creating the list thereof and other means, the details of which are reported to the Board of Directors.

Guarantee deposits primarily consist of the deposits and guarantee money for rented stores, which are exposed to the credit risk of the lessors. Regarding such risk, the financial status of major counterparties is regularly monitored by the General Affairs Department for early detection and diminishing of the possibility of failure to collect deposits due to deterioration of the financial status and other reasons.

Loans payable are primarily intended to procure necessary operating funds and capital investment funds, and they are due within three (3) years as a general rule. Borrowings with variable interest rates are exposed to interest-rate fluctuation risk, which is addressed by making proper financing plans.

Liquidity risk associated with fund procurement, that is, the risk of being unable to pay on the due date, is managed by the Finance & Accounting Department formulating and updating financing plans when appropriate based on reports from each department and keeping liquidity on hand at two (2) months equivalent of net sales.

Execution and management of derivative transactions are handled by the Finance & Accounting Department after getting approval through the *ringi* internal approval system.

③ Supplementary explanation on the fair value of financial instruments

The fair value of financial instruments is based on the market value or otherwise reasonably calculated if they do not have a market value. Because variable factors are used to calculate such fair value, it is subject to change if different assumptions are used for the calculation.

(2) Fair value of financial instruments

The balance sheet amount and the fair value of financial instruments as of March 31, 2017, as well as any difference between the two, are as follows.

(Millions of yen)

	Balance sheet amount	Fair value	Difference
(1) Cash and deposits	11,750	11,750	—
(2) Investment securities			
Available-for-sale securities	5,531	5,531	—
(3) Guarantee deposits	4,218		
Allowance for doubtful accounts[1]	(10)		
	4,208	4,160	(47)
Total assets	21,490	21,443	(47)
(1) Short-term loans payable	5,000	5,000	—
(2) Long-term loans payable (including the current portion thereof)	5,316	5,316	0
Total liabilities	10,316	10,316	0

1. Allowance for doubtful accounts, which is provided for guarantee deposits on an individual basis, is deducted from the amount of guarantee deposits.

Note: Calculation method of the fair value of financial instruments and matters concerning securities

Assets:

(1) Cash and deposits

The fair value of cash and deposits is calculated based on the book value because they are settled within a short time and the fair value thereof is almost equal to the book value.

(2) Investment securities

The fair value of investment securities is based on the prices traded at the stock exchange.

(3) Guarantee deposits

Guarantee deposits are divided by collection period, and the fair value of each group of guarantee deposits is based on the present value of their future cash flows discounted using appropriate discount rates, such as the yield of government bonds. The fair value of doubtful accounts receivable is calculated based on the collectable amount thereof through collateral and guarantees.

Liabilities:

(1) Short-term loans payable

The fair value of short-term loans payable is calculated based on the book value because they are settled within a short time and the fair value thereof is almost equal to the book value.

(2) Long-term loans payable

The fair value of long-term loans payable is based on the present value obtained by discounting the total of principal and interest using an interest rate that is reasonably estimated should a similar new loan be made.

8. Investment and Rental Properties

(1) Status of investment and rental properties

The Company has rental properties, including rental commercial facilities and rental apartments (including land) in Fukuoka Prefecture and other areas. For the fiscal year ended March 31, 2017, net income from these rental properties amounted to ¥39 million, of which revenue is included in Non-operating income and expenses are included in Non-operating expenses. Gain on sales of non-current assets, loss on sales of non-current assets and impairment loss were ¥4 million, ¥17 million and ¥157 million, respectively.

(2) Fair value of investment and rental properties

The carrying value of investment and rental properties on the non-consolidated balance sheet, the increase/decrease thereof for the fiscal year under review and the fair value thereof as of March 31, 2017, were as follows.

(Millions of yen)

Carrying value on the non-consolidated balance sheet			Fair value as of March 31, 2017
Balance as of April 1, 2016	Increase/Decrease	Balance as of March 31, 2017	
774	455	1,229	1,077

Notes: 1. The above carrying value of the properties was obtained by deducting the accumulated depreciation from the acquisition cost.

2. The increase during the fiscal year under review mainly resulted from transfers from stores due to a change in the holding purpose.

The decrease during the fiscal year under review mainly resulted from sales, an impairment

loss and depreciation of the properties.

3. The fair value of the major properties was based on a real estate appraisal value calculated by external real estate appraisers. The fair value of the other properties was internally determined according to the internal basis for real estate appraisals, of which the value of some was adjusted using indices or other means.

9. Per Share Information

Net assets per share:	¥2,341.11
Basic earnings per share:	¥203.92

10. Other Notes

Retirement benefit accounting

(1) Description of retirement benefit plans

The Company's retirement benefits for employees are covered by funded, defined-benefit pension plans. Retirement benefits are paid as lump-sum money or pension under the defined-benefit corporate pension plans (entirely funded type), based on the length of service years and other factors.

(2) Defined-benefit pension plans

① Adjustments between the beginning and ending balances of the retirement benefit obligation

	(Millions of yen)
Retirement benefit obligation at the beginning of the year	1,698
Service cost	207
Interest cost	10
Actuarial differences generated	(14)
Retirement benefits paid	(69)
Retirement benefit obligation at the end of the year	1,833

② Adjustments between the beginning and ending balances of plan assets

	(Millions of yen)
Plan assets at the beginning of the year	2,024
Expected return on plan assets	30
Actuarial differences generated	95
Contribution from employers	173
Retirement benefits paid	(69)
Plan assets at the end of the year	2,255

③ Adjustments between the ending balances of the retirement benefit obligation and plan assets and the prepaid pension cost reported on the non-consolidated balance sheet

	(Millions of yen)
Retirement benefit obligation for funded plans	1,833
Plan assets	(2,255)
Unrecognized actuarial differences	(15)
Net asset or liability reported on the balance sheet	(437)
Prepaid pension cost	(437)
Net asset or liability reported on the balance sheet	(437)

④ Breakdown of retirement benefit expenses

	(Millions of yen)
Service cost	207
Interest cost	10
Expected return on plan assets	(30)
Amortization of actuarial differences	(36)
Retirement benefit expenses for defined benefit plans	151

⑤ Matters regarding plan assets

Major components of plan assets:

Plan assets consist of the following.

Domestic bonds	32%
Foreign bonds	9%
Domestic stocks	28%
Foreign stocks	27%
Other	4%
Total	100%

Method for determining the long-term expected return on plan assets:

To determine the long-term expected rate of return on plan assets, the current and expected portfolio of the plan assets, as well as the current and anticipated long-term return on various assets comprising the plan assets, are considered.

⑥ Assumptions used in the actuarial calculations

The major assumptions used in the actuarial calculations as of March 31, 2017, were as follows.

Discount rate	0.7%
Long-term expected rate of return on plan assets	1.5%
Selection rate of lump-sum payment	100.0%

Asset retirement obligations

Asset retirement obligations recorded on the non-consolidated balance sheet

(1) Description of these asset retirement obligations

These are the obligations for restoration to the original state required in lease contracts on buildings, including stores.

(2) Method of calculating the amount of these asset retirement obligations

The periods of using the assets are estimated to be the respective contract terms for those under unrenewable contracts or twenty (20) years for other assets. The distribution yields of government bonds corresponding to these estimated periods are used as discount rates for the calculation of asset retirement obligations.

(3) Changes in the total amount of these asset retirement obligations during the fiscal year under review

	(Millions of yen)
Balance at the beginning of the year	703
Increase due to the acquisition of property, plant and equipment	16
Adjustments associated with the passage of time	9
Decrease due to fulfillment of the asset retirement obligations	(2)
Balance at the end of the year	727