These documents have been translated from Japanese originals for reference purposes only.
In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Securities Code 9936)
June 5, 2015

To Shareholders with Voting Rights:

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

NOTICE OF
THE 41ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 41st 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. Please review the Reference Documents for the General Meeting of Shareholders described hereinafter, indicate your approval or disapproval for each of the proposals on the enclosed Voting Rights Exercise Form and return said form so that it will reach us by no later than 6 p.m. on Thursday, June 25, 2015, Japan time.

1. **Date and Time:** Friday, June 26, 2015, at 1 p.m. Japan time (reception will open at noon)
2. **Place:** Mizuho Room , West Tower 4F, The Westin Miyako Kyoto
   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.)
   Please note that the starting time is 1 p.m., which is different from the previous year.
3. **Meeting Agenda:**
   Matters to be reported:
   1. The Business Report, Consolidated Financial Statements for the Company's 41st Fiscal Year (April 1, 2014–March 31, 2015) and results of audits concerning the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors.
   2. Non-Consolidated Financial Statements for the Company's 41st Fiscal Year (April 1, 2014–March 31, 2015).

   Proposals to be resolved:
   - **Proposal No. 1:** Appropriation of Surplus
   - **Proposal No. 2:** Partial Amendment to the Articles of Incorporation (1)
   - **Proposal No. 3:** Partial Amendment to the Articles of Incorporation (2)
   - **Proposal No. 4:** Election of Eight (8) Directors
   - **Proposal No. 5:** Election of Two (2) Corporate Auditors
   - **Proposal No. 6:** Revision of Remuneration for Directors and Corporate Auditors
   - **Proposal No. 7:** Election of One 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 the Consolidated Financial Statements and the Notes to the 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 Consolidated Financial Statements or 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 our shareholders, while reinforcing its financial strength and operating foundations. As a basic policy, the Company pays dividends according to its business results, and set the payout ratio at forty (40) % or higher. Based on this policy, the Company proposes year-end dividends for the fiscal year ended March 31, 2015, as follows.

(1) Matters concerning year-end dividends

Type of dividend assets: Cash

Matters concerning the allocation of dividend assets to be paid to shareholders and total dividend amount:

¥50 per share of common stock, for a total of ¥979,309,550

As an interim dividend of ¥50 per share was already paid, the total annual dividend for the fiscal year will be ¥100 per share.

Effective date of dividend payout: June 29, 2015

Proposal No. 2: Partial Amendment to the Articles of Incorporation (1)

1. Reasons for the Amendment

By a resolution at the meeting of its Board of Directors held on January 30, 2015, the Company decided to introduce the executive officer system to separate the managerial decision-making and supervisory function from the execution of operations and clarify the responsibilities of the executive officers over the execution of operations, thereby increasing the efficiency of corporate management and expediting decision making.

Accordingly, the Company proposes to change the maximum number of Directors from 13 to 10 in Article 22 of the current Articles of Incorporation. If this proposal is approved, the maximum number of Directors will be reduced for the second consecutive year.

2. Details of the Amendment

The details of the amendment are as follows.

(The amended parts are underlined.)

Current Articles	Proposed Amendment
CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS (Number of Directors) Article 22 The number of Directors of the Company shall not exceed <u>13</u>.	CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS (Number of Directors) Article 22 The number of Directors of the Company shall not exceed <u>10</u>.

Proposal No. 3: Partial Amendment to the Articles of Incorporation (2)

1. Reasons for the Amendment

The “Act for Partial Revision of the Companies Act” (Act No. 90 of 2014), which took effect on May 1, 2015, has revised the scope of corporate officers with whom a limited liability agreement may be concluded. Accordingly, the Company proposes to partially amend the provisions of Article 33 (Limitation of Liability of Directors) and Article 42 (Limitation of Liability of Corporate Auditors) of the Company’s Articles of Incorporation to ensure that Directors without executive authority over operations and Corporate Auditors who are not outside corporate auditors, with whom the conclusion of a limited liability agreement has been enabled by the revised Companies Act, can fulfill their expected roles in the Company.

The amendments to Article 33 have gained the consent of each of the Corporate Auditors.

2. Details of the Amendment

The details of the amendment are as follows.

(The amended parts are underlined.)

Current Articles	Proposed Amendment
(Limitation of Liability of Directors) Article 33 1. (Provisions omitted) 2. Pursuant to Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Outside Directors that limits their liabilities to a prescribed amount that is five million yen or more or an amount set by laws and regulations, whichever is higher, provided that such Outside Directors perform their duties in good faith and without gross negligence in relation to such liabilities.	(Limitation of Liability of Directors) Article 33 1. (Unchanged) 2. Pursuant to Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Directors (excluding those who have executive authority over operations) that limits their liabilities to a prescribed amount that is five million yen or more or an amount set by laws and regulations, whichever is higher, provided that such Directors perform their duties in good faith and without gross negligence in relation to such liabilities.
(Limitation of Liability of Corporate Auditors) Article 42 1. (Provisions omitted) 2. Pursuant to Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Outside Corporate Auditors that limits their liabilities to a prescribed amount that is five million yen or more or an amount set by laws and regulations, whichever is higher, provided that such Outside Corporate Auditors perform their duties in good faith and without gross negligence in relation to such liabilities.	(Limitation of Liability of Corporate Auditors) Article 42 1. (Unchanged) 2. Pursuant to Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Corporate Auditors that limits their liabilities to a prescribed amount that is five million yen or more or an amount set by laws and regulations, whichever is higher, provided that such Corporate Auditors perform their duties in good faith and without gross negligence in relation to such liabilities.

Proposal No. 4: Election of Eight Directors

The terms of office of all Directors will expire at the conclusion of this General Meeting of Shareholders. As the number of Directors will be reduced in connection with the introduction of the executive officer system, the election of eight (8) Directors is proposed.

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	12,506 shares
		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 (current position)	

■ Term of office as Director at the conclusion of this meeting will be eleven (11) years.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of the Company's shares held
2	Keiji Dohihara (June 8, 1949) Renomination	April 1970	Joined Chinese Restaurant "Ohsho"	28,726 shares
		November 1980	General Manager of Kyushu Area	
		October 1984	Director and General Manager of Kyushu Area	
		June 1994	Director and General Manager of Sales Division Headquarters	
		February 1995	Director, General Manager of Sales Division Headquarters and General Manager, Sales Promotion Department	
		January 1998	Director and General Manager, Development Department	
		April 2000	Director and General Manager of Sales Division Headquarters #2	
		November 2000	Director, General Manager of Sales Division Headquarters #2, General Manager, FC Sales Department, and General Manager, Development Department	
		March 2002	Managing Director and General Manager, Finance & Accounting Department	
		May 2005	Senior Managing Director and General Manager, Finance & Accounting Department	
		April 2008	Chief Financial Officer (current position)	
		November 2014	Managing Director and General Manager, Finance & Accounting Department (current position)	

■ Term of office as Director at the conclusion of this meeting will be thirty (30) years.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of the Company's shares held
3	Masayuki Kamon (January 5, 1957) Renomination	March 1979	Joined the Company	8,023 shares
		March 2002	Acting General Manager, Development Department	
		May 2005	General Manager, FC Management Department	
		June 2007	Director and General Manager, FC Management Department	
		August 2014	Director and General Manager, Human Resources Department (current position)	

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

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of the Company's shares held
4	Motoki Sugita (December 11, 1956) Renomination	February 1981	Joined the Company	5,811 shares
		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 (current position)	

■ Term of office as Director at the conclusion of this meeting will be six (6) years.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of the Company's shares held
5	Hideki Koreeda (March 19, 1961) Renomination	March 1989	Joined the Company	11,684 shares
		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 (current position)	

■ Term of office as Director at the conclusion of this meeting will be six (6) years.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company’s shares held
6	Akihiko Inada (January 15, 1961) Renomination Outside Director candidate	October 1990 Registered as Certified Public Accountant August 1992 Joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC) October 2011 Established Akihiko Inada CPA Office Representative of Akihiko Inada CPA Office (current position) June 2012 Director of the Company (current position) [Significant concurrent position] Representative, Akihiko Inada CPA Office	458 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 is a Certified Public Accountant and a Certified Public Tax Accountant, it is expected that he will provide us with active opinions and suggestions on corporate management from a professional standpoint in terms of financial and accounting, which will be effectively utilized for overseeing the management of the Company. Although he has not been directly involved in corporate management, we judge, for the aforementioned reasons, that he will be able to adequately fulfill the 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
7	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 (current position) June 2014 Director of the Company (current position) [Significant concurrent positions] Partner, Miyake & Partners Part-time Lecturer, Seikei University Law School	77 shares

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

  With professional knowledge and experience as a lawyer, he is expected to provide us with active opinions and suggestions on corporate management from an objective viewpoint with consideration for laws and regulations and overall corporate society, which will be effectively utilized for overseeing the management of the Company. Although he has not been directly involved in corporate management, we judge, for the aforementioned reasons, that he will be able to adequately fulfill the 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
8	Naoko Ikeda (June 13, 1964) New nomination Outside Director candidate	April 1985 Joined Yasuda Fire & Marine (current Sompo Japan Nipponkoa Insurance Inc.) September 1999 Established Ikeda FP Labor and Social Security Attorney Office Head of Ikeda FP Labor and Social Security Attorney Office August 2002 Established Kabushiki Kaisha Human Prime Representative Director of Kabushiki Kaisha Human Prime April 2008 Established Social Security Attorney Office Aozora Consulting Director of Social Security Attorney Office Aozora Consulting (current position) January 2012 Established Kabushiki Kaisha Aozora Consulting Representative Director of Kabushiki Kaisha Aozora Consulting (current position) [Significant concurrent positions] Director of Social Security Attorney Office Aozora Consulting Representative Director of Kabushiki Kaisha Aozora Consulting	—

■ Reason for nominating her as Outside Director:
With professional knowledge and experience as a specified labor and social security attorney, she is expected to provide us with active opinions and suggestions on corporate management, which will be effectively utilized for overseeing the management of the Company.

(Notes)
1. There are 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, 2015, and includes the number of shares held through the Ohsho Food Service Shareholding Association for Executives.
3. Mr. Akihiko Inada, Mr. Masayuki Watanabe and Ms. Naoko Ikeda 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. Akihiko Inada and Mr. Masayuki Watanabe as Independent Directors stipulated under the regulations of the Tokyo Stock Exchange, and has submitted filings with said Exchange. The Company intends to designate Ms. Naoko Ikeda as an Independent Director and submit filings with said Exchange.
5. If the appointment of Mr. Akihiko Inada, Mr. Masayuki Watanabe and Ms. Naoko Ikeda is approved, the Company will continue or enter into agreements with each of the candidates, pursuant to the Company's Articles of Incorporation, to limit his/her 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 five million yen or the minimum amount prescribed by laws and regulations.

Proposal No. 5: Election of Two Corporate Auditors

Corporate Auditor Kazuyuki Morisawa will be retired and the term of office of Corporate Auditor Kenryo Nakatani will expire at the conclusion of this General Meeting of Shareholders. Therefore, the election of two (2) Corporate Auditors is proposed.

As Mr. Yutaka Kiso was nominated for Corporate Auditor to fill the vacancy caused by the resignation of Mr. Kazuyuki Morisawa, his term of office will be until the time when Mr. Morisawa's term would expire if he had not resigned.

This proposal has been consented to by the Board of Corporate Auditors.

The candidates for Corporate Auditor are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
1	Kenryo Nakatani (February 9, 1944) Renomination Outside Corporate Auditor candidate	July 1998 Manager, Research Management Division, First Examination Department, Osaka Regional Taxation Bureau July 1999 Deputy Assistant Regional Commissioner, Management and Co-ordination Department, Osaka Regional Taxation Bureau July 2000 District Director, Kita Tax Office, Osaka Regional Taxation Bureau July 2001 Resigned from Osaka Regional Taxation Bureau August 2001 Registered as Certified Public Tax Accountant June 2011 Corporate Auditor of the Company (current position) [Significant concurrent position] Representative, Kenryo Nakatani Tax Accountant Office	2,000 shares

- Term of office as Corporate Auditor at the conclusion of this meeting will be four (4) years.
- Reason for nominating him as Outside Corporate Auditor:

  Using his professional knowledge and experience as a Certified Public Tax Accountant, as well as his considerable insight, we judge that he will be able to adequately conduct the duties of auditing the Company. Although he has not been directly involved in corporate management, we judge, for the aforementioned reasons, that he will be able to adequately fulfill the duties as an Outside Corporate Auditor.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of the Company's shares held
2	Yutaka Kiso (July 23, 1973) To be newly elected Outside Corporate Auditor candidate	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. January 2012 Transferred to Kitahama Partners Tokyo Office (current position) [Significant concurrent positions] Partner, Kitahama Partners Chairperson, Nara City Governance Surveillance Committee Director, Association of Certified Fraud Examiners	—

- Reason for nominating him as Outside Corporate Auditor:

  Based on his professional knowledge and experience as a lawyer and from a fair, objective and independent standpoint, we judge that he will be able to adequately conduct the duties of auditing the Company. Although he has not been directly involved in corporate management, we judge, for the aforementioned reasons, that he will be able to adequately fulfill the duties as an Outside Corporate Auditor.

(Notes)

1. There are no material conflict of interest between the Company and any of the candidates for Corporate Auditor.
2. Mr. Kenryo Nakatani and Mr. Yutaka Kiso are candidates 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 intends to designate Mr. Yutaka Kiso as an Independent Auditor stipulated under the regulations of the Tokyo Stock Exchange, and submit filings with said Exchange.
3. If the appointment of Mr. Kenryo Nakatani and Mr. Yutaka Kiso is approved, the Company will continue or enter into agreement 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 five million yen or the minimum amount prescribed by laws and regulations.

Proposal No. 6: Revision of Remuneration for Directors and Corporate Auditors

The total amount of remuneration for Directors has been ¥350 million or less per year, of which ¥20 million or less per year is for Outside Directors, since it was so approved at the 40th Ordinary General Meeting of Shareholders held on June 27, 2014. The total amount of remuneration for Corporate Auditors has been ¥50 million or less per year since it was so approved at the 32nd Ordinary General Meeting of Shareholders held on June 29, 2006. However, considering the introduction of the executive officer system and the resulting reduction in the number of Directors and other circumstances, we propose to change these amounts to ¥300 million or less per year for Directors, of which ¥30 million or less per year is for Outside Directors, and to ¥40 million or less per year for Corporate Auditors.

The current number of Directors is thirteen (13), including two (2) Outside Directors, and that of Corporate Auditors is three (3), including three (3) Outside Corporate Auditors. If Proposals 4 and 5 are approved as originally proposed, the number of Directors will be eight (8), including three (3) Outside Directors, and that of Corporate Auditors will continue to be three (3), including three (3) Outside Corporate Auditors.

If this proposal is approved, the amount of remuneration for Directors will decrease for the second consecutive year.

Proposal No. 7: Election of One Substitute Corporate Auditor

The resolution on the appointment of Mr. Masakatsu Takemoto as a Substitute Corporate Auditor made at the 40th Ordinary General Meeting of Shareholders held on June 27, 2014, will expire at the opening of this General Meeting of Shareholders. It is therefore proposed that one Substitute Corporate Auditor be elected in case of the vacancy of the statutory number of Corporate Auditors.

This proposal has gained 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
Masakatsu Takemoto (September 18, 1942)	March 1961 Joined Kabushiki Kaisha Fuyo June 1993 Director and General Manager, General Affairs Department, Kabushiki Kaisha Fuyo April 1998 Director and General Manager, Finance & Accounting Department, Kabushiki Kaisha Fuyo Corporate Auditor, FMS CO., LTD. (current FUYO MAINTENANCE SYSTEM CO., LTD.) June 2001 Corporate Auditor, Kabushiki Kaisha Fuyo November 2011 Established Office Takemoto Representative of Office Takemoto (current position) [Significant concurrent positions] Representative, Office Takemoto	—

■ Reason for nominating him as Substitute Outside Corporate Auditor:

Based on his professional knowledge and experience as a judicial scrivener and accumulated business experience, we judge that he will be able to audit the management of the Company appropriately from an independent standpoint without any conflict of interest with general shareholders.

(Notes)
1. No material conflict of interest exists between the Company and the candidate.
2. Mr. Masakatsu Takemoto 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 enter into a limited liability agreement with him, 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 five million yen or the minimum amount prescribed by laws and regulations.

(Appendix)

Business Report

41st Term

(April 1, 2014–March 31, 2015)

1. Overview of the Company Group

(1) Business progress and achievement

Summary of consolidated results of operations			
	Amount (Millions of yen)	% to sales	YoY change
Net sales	75,820	100.0	Down 0.6%
Operating income	6,018	7.9	Down 14.0%
Ordinary income	6,360	8.4	Down 12.0%
Net income	3,675	4.8	Down 15.0%

・ Number of customers at all stores (directly operated stores): down 4.2% YoY (down 7.4% at existing stores)
・ Sales amount at existing stores (directly operated stores): down 3.6% YoY

During the fiscal year ended March 31, 2015, the European economy remained sluggish and the economies of emerging countries such as China and Russia showed a decelerating trend although the U.S. economy continued to recover steadily. The sense of uncertainty about the future heightened as represented by stock prices throughout the world that were tossed about by geopolitical risks such as the Umbrella Revolution in Hong Kong, the shoot-down of a Malaysian passenger airplane, the lingering Ukrainian conflict and ISIL's attacks on the tourism industry reflecting their opposition to the Sykes-Picot Agreement.

In this global economic environment, Japan's economy showed several noteworthy movements including the renewal of record-low long-term interest rates and the progress of yen depreciation passing beyond the 120 yen/US$ level after a seven-year lapse, against the backdrop of additional governmental economic and financial policies. Consequently, exporting companies' profits improved, the number of international visitors coming to Japan reached a record high and the Nikkei Stock Average recorded its first sharp rise in nine years. Meanwhile, the Government Pension Investment Fund (GPIF) changed the ratios of invested assets (e.g., raising the allocation of domestic stocks from 12% to 25%), and the Financial Services Agency and the Tokyo Stock Exchange jointly established a system of recommendations regarding Japan's Corporate Governance Code, which raised expectations for a further increase in stock prices. Nevertheless, the 2014 visible balance of trade fell into the red for the fourth consecutive year with a record high for the third consecutive year, and the real wage index continued to fall for the third consecutive year. Despite the prolonged second-stage rise in the consumption tax rate and the improvement trend in the employment situation, the recovery in consumption has come to a temporary standstill, making the outlook for the future economy far from reassuring.

In the restaurant industry, given the sluggish consumption affected by frequent unseasonal weather, price hikes mainly due to the yen depreciation and the rise in the consumption tax rate, the entry of new participants from other industries, such as the convenience store industry, has been accelerating. Further, the revival of China risk about foodstuffs, scandals concerning contamination of foodstuffs and the risks of procuring imported food ingredients have become apparent, increasing consumer awareness of safety, security, health and sanitation. Moreover, it has become urgent for the industry to improve the problematic custom of long working hours and ensure workers are offered paid vacations. Meanwhile, pork prices reached their highest level in the past 20 years. In addition to prices for ingredients and utilities, other costs are expected to soar in the future in various areas, including personnel costs due to the increasing risk of a shortage of workers. With further price increases inevitable, the harsh operating environment persisted.

Amid these conditions, the Group aimed to realize a happy workforce and satisfied customers by improving practices in the restaurant industry through such means as improving the working environment by establishing fixed holidays and voluntarily refraining from doing business late at night and on New Year's Eve and New Year's Day. In addition, the Company implemented a ¥10,000 wage increase, which was quadruple the labor union's demand, and the payment of accumulated, unpaid wages. Thus, we are delivering highly effective/efficient services (combined with the self-imposed control of excess overtime during discount sales) to all our customers within business hours through strict adherence to the so-called "36 agreement," or Article 36 of the Labor Standards Act regarding overtime work over the legal working hours. Furthermore, we have undertaken a series of organizational reforms, including the innovation of the management philosophy; focusing on enhanced diversity in job relations via the promotion of women; renewing the personnel system and organizational restructuring; adopting a resolution on the dissolution of the Chinese subsidiary; rotating jobs among directors; and implementing an executive officer system. With these measures, we have been developing talented human resources and realizing excellent worksites. In addition, we have taken anticipatory measures including the announcement of reform proposals such as the voluntary demotion of executive directors with titles, the reduction of Ordinary compensation for directors (for the second consecutive year) and corporate auditors, and setting a shareholder return policy of a 100% total return ratio.

Meanwhile, we have proactively undertaken social contribution programs including donating aid to the victims from the heavy flooding in the Kyoto area during the 40th fiscal term, which led to the bestowal of the Medal with Dark Blue Ribbon, and donating after the devastation of a landslide in Hiroshima Prefecture in September 2014. From October 2014, we took on the challenge of providing high-quality, high-value-added products to our customers by switching wholly to domestic production for the key ingredients in our *gyoza* and noodles, while also raising our prices. In February 2015, the construction of our flagship Higashimatsuyama Plant started, and we have promoted a digitization policy with the delivery of tablet terminals to all directly operated stores to improve their operating efficiency and encourage the effective utilization of stored data. Moreover, to develop the slogan of "Theme Park of Dining," a corporate characteristic since our foundation, we intend to pursue an upgraded side menu strategy that skillfully arranges French, Italian, Turkish and Japanese dishes in the Ohsho style by taking advantage of the core Chinese cooking techniques. Our slogan for 2015 is to "make Japan delicious." We continue to pursue our goal of promptly providing safe, secure, hygienic and healthy foods to all our customers in a comfortable environment while further increasing the domestic content of our products, as seen in "*Nippon Ramen*" of which the ingredients are all made domestically.

Regarding the store network in the current fiscal year, fifteen (15) directly operated stores and twelve (12) franchised stores were opened primarily in the Kanto and Kansai areas, and six (6) directly operated stores and four (4) franchised stores were closed. At the end of the current fiscal year, the total network consisted of 470 directly operated stores and 232 franchised stores.

As a result, consolidated net sales decreased ¥461 million (0.6% year over year) to ¥75,820 million.

Operating income decreased ¥981 million (14.0% year over year) to ¥6,018 million. Although earnings benefited from new store openings, expenses increased mainly because of the high prices of ingredients and the reporting of unpaid wages.

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

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

[Net sales]

Accounting period / Category	Previous fiscal year From April 1, 2013, to March 31, 2014			Current fiscal year From April 1, 2014, to March 31, 2015		
	Number of stores	Amount (Millions of yen)	Composition ratio (%)	Number of stores	Amount (Millions of yen)	Composition ratio (%)
Directly operated stores	461	69,966	91.7	470	69,591	91.8
Franchised stores	224	6,315	8.3	232	6,229	8.2
Total	685	76,281	100.0	702	75,820	100.0

[Net sales at directly operated stores by area]

Period / Area classification	Previous fiscal year From April 1, 2013, to March 31, 2014			Current fiscal year From April 1, 2014, to March 31, 2015		
	Number of stores	Amount (Millions of yen)	Composition ratio (%)	Number of stores	Amount (Millions of yen)	Composition ratio (%)
Kansai area	224	35,960	51.4	223	35,034	50.3
(Kyoto)	(41)	(7,115)	(10.2)	(40)	(6,851)	(9.8)
(Osaka)	(108)	(15,991)	(22.8)	(108)	(15,668)	(22.5)
(Hyogo)	(35)	(5,692)	(8.1)	(35)	(5,620)	(8.1)
(Shiga)	(16)	(3,142)	(4.5)	(16)	(3,048)	(4.4)
(Nara)	(15)	(2,576)	(3.7)	(15)	(2,496)	(3.6)
(Wakayama)	(9)	(1,442)	(2.1)	(9)	(1,349)	(1.9)
Hokkaido area	13	1,481	2.1	14	1,797	2.6
Tohoku area	4	561	0.8	4	546	0.8
Kanto area	107	16,012	22.9	116	16,383	23.5
Koshinetsu area	7	864	1.2	8	891	1.3
Tokai area	47	7,844	11.2	49	7,750	11.1
Hokuriku area	17	2,282	3.3	17	2,088	3.0
Chugoku & Shikoku	16	1,736	2.5	16	1,800	2.6
Kyushu area	22	3,162	4.5	23	3,249	4.7
Liaoning Province, China	4	59	0.1	0	48	0.1
Total	461	69,966	100.0	470	69,591	100.0

(2) Capital investments

The Company Group made capital investments in the total amount of ¥2,970 million for the fiscal year ended March 31, 2015. The main investments were as follows.

Newly opened directly operated stores:

AEON KITAMI store (Hokkaido); Mito Sakuradori store and Tsukuba Akatsuka store (Ibaraki); Kotesashi store (Saitama); ViVit Minamifunabashi store (Chiba); PONTE PORTA SENJU store, Hatsudai store and Tsurukawa Ekimae store (Tokyo); GRAND TREE MUSASHIKOSUGI store and ITOYOKADO KOBUCHI store (Kanagawa); Ario Matsumoto store (Nagano); Shimizu store (Shizuoka); Matsuzaka store (Mie); Shinsekai store (Osaka); and Miyaki store (Saga): total 15 stores

Renovated directly operated stores:

Musashimizonokuchi Ekimae store (Kanagawa); Nonoichi store (Ishikawa); Sakae store and Toyoake store (Aichi); Nagase store (Osaka); Nishinomiya Kitaguchi store (Hyogo); Iwadehigashi store (Wakayama); and Norimatsu store (Fukuoka): total 8 stores

(3) Financing

The Company Group 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 Group's working capital. The Group has arranged its fund procurement system to cope even with emergency spending by establishing the framework of a ¥38 billion maximum overdraft amount from 10 banks, jointly with the liquidity on hand (deposits).

(4) Basic management policy of the Company

The Group's basic management policy is the following management philosophy:

"We respect diversity that derives from the participation of both men and women;

We pursue and develop comfortable and speedy hospitality through the provision of delicious and healthy, safe, secure and hygienic foods to customers;

We strive to continually improve the individual character and abilities of employees; and

We contribute to the development of society by ensuring customer satisfaction through our daily practices and the results thereof and by realizing the happiness of all our employees."

Complying with laws and regulations, social norms and corporate ethics, we will continue to ensure the further satisfaction of our stakeholders by making a work environment brimming with happiness and smiles of all employees by appropriately using the profits obtained through enhanced effective and efficient corporate management. In addition, we aim to realize sustainable growth and raise the long-term corporate value of the Company on the assumption that ensuring the transparency and fairness of decision making, fully utilizing the currently held management resources and upgrading management morale via prompt and bold decision making are prerequisites for corporate governance. In addition to the directly operated store structure and the independent store opening program for employees, we pursue other possibilities such as the participation of local external parties who are acquainted with local circumstances as franchisees, M&As based on a spirit of coexistence and co-prosperity, and various collaborative projects in terms of sales, production and business development. With these initiatives, we aim to create a food service chain network that contributes to the development of local communities to pursue higher corporate value by making every store a "space that offers dining for the everyday healthy meals of local residents including breakfast, lunch and dinner."

(5) Management indices

The Group focuses on maintaining an appropriate level of cost percentage and cost management, and the operating margin, a basic profit measure, is adopted as the most important management indicator. Our management target is to achieve and maintain an operating margin of 10% or higher for several years. Moreover, a dividend payout ratio of 40% or more and a total return ratio of 100% are our medium-term targets on the return of profits to shareholders.

(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 to cope with the scheduled rise in the consumption tax rate to 10%.

Under these circumstances, we believe that honest practices and the continuity of our management philosophy are essential for the Group, while purging the aforementioned problematic custom of long working hours. Moreover, we intend to pursue an upgraded side menu strategy that skillfully arranges French, Italian, Turkish and Japanese dishes in the Ohsho style by taking advantage of the core Chinese cooking techniques to develop the slogan of "Theme Park of Dining," a corporate characteristic since our foundation. Furthermore, we will strive to create customer satisfaction; solicit numerous visitors from abroad as potential customers; raise organizational effectiveness and efficiency by anticipating future business growth; and focus on developing talented human resources based on the recognition that the following policies are our priorities.

1) Store opening policy

We will examine store investment efficiency depending on the potential conditions of the intended sites (e.g., whether urban or local and features of the opening site) while considering the implementation of stereoscopic 3D-based store/kitchen layout development, which pays attention not only to planar but also to the special utilization of store space commensurate with predictable high rents and new equipment based on onsite requests. Pivoting around our core concepts—development of urban-focused, energy-saving type stores; highly effective and efficient kitchen equipment according to unified store formats; and focused openings especially in areas in East Japan—we will accelerate new store openings by supporting the independent store opening program for employees.

Apart from this normal formula, we will take into account other possibilities in the future, for example, M&As based on a spirit of coexistence and co-prosperity; stores located inside hotels and large commercial complexes such as shopping malls; product sales operations at *gyoza* specialty shops through franchising umbrella agreements with national and local supermarkets; and openings overseas in Europe and the United States. All of these ideas constitute the next growth driver of the Group following the ongoing nationwide deployment and provide our employees with diverse potential: motivation, animation of the in-house atmosphere, recruiting and employment of excellent people, diversification of employees, the establishment of a new brand image and the pursuit of new targets and business formats. With these initiatives in mind, we will increase domestic openings toward the achievement of our opening target of 800 stores by the end of March 2018.

2) Product strategy

We will strive to improve, amend or abandon existing menus around the key policy of the enhanced use of domestic ingredients. As part of the Company’s product development and sales promotion, all the directly operated and franchised stores will share original menus. In addition, we intend to develop new menus, including the development of side menus arranged in the Ohsho style of originally French, Italian, Turkish and Japanese dishes as a symbol of solidifying the slogan of “Theme Park of Dining.” Such menu development efforts will include special menus for women and the elderly, premium menus, second flagship products and breakfast/midnight snack menus, which meet tailored customer needs by area. We intend to promote this strategy by creating high-value-added original products in collaboration with our plants for further contribution to increased earnings.

3) Reform of awareness to better educate all our employees

By implementing a medium- to long-term target setting scheme for store managers (for the purpose of improving store managers’ management skills to strengthen their capability of creating medium- to long-term store targets and nurturing next-generation staff), we will conduct original training programs for store managers internally prepared under the direction of active store managers and senior employees. We will also 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 and reinforce training activities based on the newly adopted personnel system. The intended training activities will basically include highly efficient and effective consulting by area managers with intensive courses at key stores, guidance on store operations for standardization, scheduling and/or efficiency improvement using the Store Manager Manuals and other manuals. In the course of such training activities, we encourage reforms and improvement of awareness among attending employees with regard to their compliance with relevant laws and regulations, social norms and corporate ethics.

4) Ensuring talented human resources

We will strengthen recruiting activities based on the new personnel system through enhanced employment activities to maintain a stable number of store staff and prepare for the possible vacancy of personnel. To be trusted as a company capable of making its employees and their family members happy, we will promote such essential tasks as compliance, improvement of the working environment and the optimal treatment according to each employee’s contribution. We will also continue studies aimed at breaking through the issue of personnel shortages by preparing formats for employment continuity after age-limit retirement and for the effective use of aged people and/or foreigners. In addition, we will review the store manager’s duties and increase the staffing of deputy store managers according to the store scale to realize a streamlined working environment and bolster the new personnel system.

5) Central kitchen policies

The basic policy of our central kitchen system is to keep alive the "*umami*" (the fifth taste sensation) that every foodstuff has in the primary processing process. We are active in reducing the number of onsite processes at stores for improved efficiency, processing healthy and hygienic foodstuffs and producing combined seasonings. Meanwhile, we will promote the visualization of the specific indices and schemes for managing labor productivity to manage cost targets by product item; reinforce cost control regarding ingredients and foodstuffs; promote human resource development through strengthened risk assessment, as well as the formulation/operation of a business continuity plan (BCP); and pursue the complete implementation of our "6S (*Seiri, Seiton, Seiketsu, Shitsuke* and Security, or tidying, keeping in order, sweeping, cleanliness, discipline and security)" slogan.

At the flagship Higashimatsuyama Plant, its products are anticipated to be delivered to all the Ohsho chain stores. At the same time, the latest fully automatic production system will ensure the plant's operations, which will be capable of producing and shipping all products that require more than 5-minute cooking time after an order is received at each store and maximizing the established delivery system for preformed *gyoza*. The plant also will be equipped with development and production systems to obtain halal **certification** of its **products**. Furthermore, we will proactively commit ourselves to the concentrated management of operations at all plants by leveraging the mutual supervision between the Purchasing Section and the R&C Department; the flexible and speedy procurement of excellent foodstuffs in terms of market quotations, quality and freshness; and ensuring safety and security as a food service chain by addressing innovative production and logistics for incessant cost reduction.

6) Measures for environmental issues

We will proactively address legal responses regarding the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources, the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. We also will strive to address the power-saving, power generation and power storage fields as countermeasures to power shortages to increase our corporate value by fulfilling our social responsibility.

7) Reinforcing financial strength

We intend to effectively leverage financing from financial institutions with which the Company has business relationships to ensure stable funds by establishing a framework of overdrafts to cope with sudden capital demand. Thus, in addition to establishing firm financial strength to accommodate business opportunities, we will solidify our management base through advanced depreciation of total assets and efficiency improvement in the use of procured funds while improving the effects of investments and their efficiency.

(7) Changes in assets and income

Changes in assets and income of the Company Group

(Millions of yen)

Accounting period	38th term	39th term	40th term	41st term
Item	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	(current fiscal year) Fiscal year ended March 31, 2015
Net sales	71,009	74,365	76,281	75,820
Ordinary income	9,271	9,080	7,228	6,360
Net income	4,807	4,925	4,325	3,675
Net income per share (yen)	238.22	243.98	214.28	186.78
Net assets	35,093	39,007	42,158	42,596
Total assets	55,993	59,260	61,938	63,848
Net assets per share (yen)	1,738	1,932	2,088	2,174
Equity ratio	62.7%	65.8%	68.1%	66.7%

(8) Principal business segment of the Company Group

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

(9) Major business locations of the Company Group

Ohsho Food Service Corp.	Head office	Kyoto
	Area headquarters	Tokyo and Kyushu (Fukuoka)
	Plants	Kumiyama (Kyoto), Nishinoyama (Kyoto), Funabashi (Chiba), Kyushu (Fukuoka) and Sapporo (Sapporo)
	Stores	470 directly operated stores
		232 franchised stores
DALIAN OHSHO FOOD SERVICE CO., LTD.	Head office	Dalian (Liaoning Province, China)

(10) Employees of the Company Group

Number of employees	YoY change	Average age	Average service years
1,962	Decrease by 83	32.1	8.1

Note: Apart from the above number of employees, 92 temporary workers and 5,870 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	1,479
Mizuho Bank, Ltd.	1,440
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,440
Sumitomo Mitsui Banking Corporation	1,440
THE SHIGA BANK, LTD.	1,294
The Bank of Kyoto, Ltd.	1,294
The Nanto Bank, Ltd.	1,202

2. Status of Shares

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

(2) Total number of shares issued 23,286,230 shares (including 3,700,039 treasury stock)

(3) Number of shareholders 14,362 persons

(4) Major shareholders

Shareholder name	Number of the Company's shares held	Investment ratio
	(Thousands)	%
ASAHI BREWERIES, LTD.	2,253	11.5
Japan Food Business Co., Ltd.	1,683	8.6
Ariake Japan Co., Ltd.	1,100	5.6
The Master Trust Bank of Japan, Ltd.	672	3.4
Umeko Kato	611	3.1
Hiromi Kato	602	3.1
BBH FOR FIDELITY LOW-PRICED STOCK FUND	596	3.0
Kato Asao International Scholarship Foundation	528	2.7
Kingo Kato	474	2.4
Japan Trustee Services Bank, Ltd.	398	2.0

Notes: 1. The numbers of shares is rounded down to the nearest 1,000.
2. Although the Company has 3,700,000 treasury stock, the Company is excluded from the above table. The treasury stock are excluded from the calculation of the investment ratio.

3. Company Officers

(1) Directors and Corporate Auditors

Name	Title	Positions, responsibilities, and significant concurrent positions
Naoto Watanabe	Representative Director and President	Chairman, DALIAN OHSHO FOOD SERVICE CO., LTD.
Keiji Dohihara	Managing Director	CFO and General Manager, Finance & Accounting Department
Kazuhisa Suzuki	Managing Director	In charge of Franchisee Support Department
Yoshihiro Takahashi	Director	General Manager, Dalian Business Department Director and CEO, DALIAN OHSHO FOOD SERVICE CO., LTD.
Masamichi Nonaka	Director	General Manager, Franchisee Support Department
Toshio Fujiki	Director	General Manager, Production and Processing Department
Masayuki Kamon	Director	General Manager, Human Resources Department
Fumio Sugita	Director	General Manager, Sales Department #3
Motoki Sugita	Director	General Manager, Sales Department #1
Hideki Koreeda	Director	General Manager, General Affairs Department
Kiyoshi Kato	Director	Advisor
Akihiko Inada	Director	Representative of Akihiko Inada CPA Office
Masayuki Watanabe	Director	Partner, Miyake & Partners Part-time lecturer, Seikei University Law School
Yutaka Nakamura	Corporate Auditor (full time)	
Kazuyuki Morisawa	Corporate Auditor	
Kenryo Nakatani	Corporate Auditor	Representative, Kenryo Nakatani Tax Accountant Office

Notes:
1. Directors Akihiko Inada and Masayuki Watanabe are Outside Directors as stipulated in Article 2, Paragraph 15, of the Companies Act.
2. Corporate Auditors Yutaka Nakamura, Kazuyuki Morisawa and Kenryo Nakatani are Outside Corporate Auditors as stipulated in Article 2, Paragraph 16, of the Companies Act.
3. Masakatsu Takemoto was elected as a substitute Corporate Auditor at the 40th Ordinary General Meeting of Shareholders held on June 27, 2014.
4. Director Akihiko Inada is qualified as a certified public and tax accountant and has considerable financial and accounting knowledge.
5. Corporate Auditor Kenryo Nakatani has thorough knowledge of taxation as a certified tax accountant and has considerable financial and accounting knowledge.
6. Directors Akihiko Inada and Masayuki Watanabe and Corporate Auditor Kazuyuki Morisawa are designated as Independent Officers as stipulated by the Tokyo Stock Exchange.

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

Category	Number of persons provided	Amount of remuneration, etc., provided (Millions of yen)
Directors (Outside Directors included above)	13 (2)	278 (13)
Corporate Auditors (Outside Corporate Auditors included above)	3 (3)	16 (16)
	16	295

Notes:
1. In addition to the above, salaries (including bonuses) of ¥85 million were provided to five (5) Directors who concurrently serve as employees.
2. Apart from the above amount of remuneration, condolence money of ¥100 million was paid to a Director who retired from office due to death on December 19, 2013, based on a resolution at the General Meeting

of Shareholders held on June 27, 2014.

3. The remuneration to Directors was determined to be within ¥350 million per year (including ¥20 million per year for Outside Directors) by a resolution adopted by the General Meeting of Shareholders held on June 27, 2014.
4. The remuneration to Corporate Auditors was determined to be within ¥50 million per year by a resolution adopted by the General Meeting of Shareholders held on June 29, 2006.

(3) Outside Officers

1) Major activities of outside officers

Name	Title	Main activities
Akihiko Inada	Director	Participated in all meetings of the Board of Directors during the fiscal year ended March 31, 2015; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly as a certified public and tax accountant.
Masayuki Watanabe	Director	Participated in all meetings of the Board of Directors held after his assumption of office during the fiscal year ended March 31, 2015; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly as a lawyer.
Yutaka Nakamura	Corporate Auditor (full time)	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, 2015; timely provided necessary opinions on agenda items, subjects of deliberations and other issues.
Kazuyuki Morisawa	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, 2015; 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, 2015; timely provided necessary expert opinions on agenda items, subjects of deliberations and other issues mainly as a certified tax accountant.

2) Outline of Limitation of Liability Agreement

The Company has established provisions regarding limited liability agreement for Outside Directors and Outside Corporate Auditors.

The outline of such a limited liability agreement, which has been entered into between the Company and all the Outside Directors and Outside Corporate Auditors in accordance with the Articles of Incorporation of the Company, 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.

4. Accounting Corporate Auditor

(1) Accounting Corporate Auditor's Name

Deloitte Touche Tohmatsu LLC

(2) Limited Liability Agreement

The Company has established provisions regarding a limited liability agreement for the Accounting Auditor.

The outline of such a limited liability agreement, which has been entered into between the Company and the Accounting Auditor in accordance with the Articles of Incorporation of the Company, 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, 2015	¥36 million
2)	Total amount of monetary and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	¥47 million

Notes: 1. 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.

2. The Company paid fees to the Accounting Auditor in relation to advice, etc., on the liquidation of a subsidiary in China, 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 addition to the dismissal of the Accounting Auditors by the Board of Corporate Auditors, which is set forth in Article 340 of the Companies Act, if it is deemed difficult for the Accounting Auditor to appropriately perform its duties, the Company shall include on the agenda of a general meeting of shareholders a proposal for dismissal or non-reappointment of the Accounting Auditor, in principle, upon an accord of or a request from the Board of Corporate Auditors.

5. System to Ensure that Directors' Execution of Duties Complies with the Laws and Regulations, the Articles of Incorporation and Any Other Systems to Ensure Proper Business Execution

The Company resolved the Basic Policy on Establishing an Internal Control System at its Board of Directors meeting as follows.

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

- We 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 we can fulfil our social corporate responsibility by ensuring that Directors' and employees' execution of duties complies with laws and the Articles of Incorporation. In addition, we shall establish the Compliance Committee to streamline compliance-related provisions for internal education.
  We shall appropriately perform important operations such as store operation, etc., and report the operating reports without omission. We 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.

(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.

(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.
- We 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.

(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 Executive Board, 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.

(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 establish the Dalian Business Division as an administrative supervisory department to provide necessary administrative services in response to the circumstances of this affiliate’s operations. 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.

(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.

(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, 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.

(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.

6. 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, we believe 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, we have 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.

~~~~~~

Stated amounts and numbers of shares in this Business Report are rounded down to the nearest unit. The amounts in net sales, etc., do not include consumption taxes.
~~~~~~

Financial Statements

Consolidated Balance Sheet

(Millions of yen)

Account	41st Fiscal Year (As of March 31, 2015)	Account	41st Fiscal Year (As of March 31, 2015)
ASSETS		**LIABILITIES**	
Current assets	**16,804**	**Current liabilities**	**14,386**
Cash and deposits	14,866	Accounts payable—trade	1,770
Accounts receivable—trade	343	Current portion of long-term loans payable	4,953
Merchandise and finished goods	113	Income taxes payable	1,032
Raw materials	263	Provision for bonuses	887
Deferred tax assets	465	Other	5,743
Other	768	**Non-current liabilities**	**6,864**
Allowance for doubtful accounts	(16)	Long-term loans payable	4,896
Non-current assets	**47,043**	Deferred tax liabilities on land revaluation	535
Property, plant and equipment	**37,092**	Long-term guarantee deposited	543
Buildings and structures	13,382	Asset retirement obligations	696
Machinery, equipment and vehicles	577	Other	193
Tools, furniture and fixtures	615	**Total liabilities**	**21,251**
Land	21,589		
Construction in progress	928	**NET ASSETS**	
Intangible assets	**36**	**Shareholders' equity**	**44,512**
Software	21	Capital stock	8,166
Right of using facilities	14	Capital surplus	9,031
Investments and other assets	**9,915**	Retained earnings	34,626
Investment securities	3,260	Treasury stock	(7,311)
Long-term loans receivable	108	**Accumulated other comprehensive income**	**(1,915)**
Net defined benefit asset	543	Valuation difference on available-for-sale securities	1,684
Deferred tax assets	1,491	Revaluation reserve for land	(3,894)
Guarantee deposits	4,361	Foreign currency translation adjustment	14
Other	208	Remeasurements of defined benefit plans	280
Allowance for doubtful accounts	(58)	**Total net assets**	**42,596**
Total assets	**63,848**	**Total liabilities and net assets**	**63,848**

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

Consolidated Statement of Income

(Millions of yen)

Account	41st Fiscal Year (From April 1, 2014, to March 31, 2015)
Net sales	**75,820**
Cost of sales	22,721
Gross profit	**53,099**
Selling, general and administrative expenses	47,080
Operating income	**6,018**
Non-operating income	**499**
Interest and dividend income	50
Land and house rent received	68
Surrender value of directors' life insurance	59
Franchise chain accession fee	120
Compensation income	79
Other	121
Non-operating expenses	**157**
Interest expenses	47
Rent expenses	24
Donation for disaster relief	50
Other	35
Ordinary income	**6,360**
Extraordinary income	**69**
Gain on sales of non-current assets	5
Gain on sales of investment securities	64
Extraordinary losses	**298**
Loss on retirement of non-current assets	114
Loss on sales of non-current assets	9
Impairment loss	74
Directors' condolence money	100
Income before income taxes and minority interests	**6,132**
Income taxes—current	2,512
Income taxes—deferred	(55)
Income before minority interests	**3,675**
Net income	**3,675**

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

Consolidated Statement of Changes in Equity

(From April 1, 2014, to March 31, 2015) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	8,166	9,031	32,989	(5,016)	45,170
Cumulative effects of changes in accounting policies			190		190
Restated balance as of April 1, 2014	8,166	9,031	33,179	(5,016)	45,360
Changes of items during period					
Dividends of surplus			(2,190)		(2,190)
Net income			3,675		3,675
Purchase of treasury stock				(2,295)	(2,295)
Reversal of revaluation reserve for land			(38)		(38)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,446	(2,295)	(848)
Balance as of March 31, 2015	8,166	9,031	34,626	(7,311)	44,512

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2014	795	(3,987)	8	171	(3,011)	42,158
Cumulative effects of changes in accounting policies						190
Restated balance as of April 1, 2014	795	(3,987)	8	171	(3,011)	42,349
Changes of items during period						
Dividends of surplus						(2,190)
Net income						3,675
Purchase of treasury stock						(2,295)
Reversal of revaluation reserve for land		38			38	–
Net changes of items other than shareholders' equity	888	54	5	108	1,057	1,057
Total changes of items during period	888	93	5	108	1,096	247
Balance as of March 31, 2015	1,684	(3,894)	14	280	(1,915)	42,596

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

Non-Consolidated Balance Sheet

(Millions of yen)

Account	41st Fiscal Year (As of March 31, 2015)	Account	41st Fiscal Year (As of March 31, 2015)
ASSETS		**LIABILITIES**	
Current assets	**16,791**	**Current liabilities**	**14,380**
Cash and deposits	14,855	Accounts payable—trade	1,770
Accounts receivable—trade	343	Current portion of long-term loans payable	4,953
Merchandise and finished goods	113	Accounts payable—other	2,608
Raw materials	263	Accrued expenses	1,924
Prepaid expenses	402	Income taxes payable	1,032
Deferred tax assets	465	Provision for bonuses	887
Other	364	Other	1,203
Allowance for doubtful accounts	(16)	**Non-current liabilities**	**6,864**
Non-current assets	**46,763**	Long-term loans payable	4,896
Property, plant and equipment	**37,092**	Deferred tax liabilities on land revaluation	535
Buildings	12,255	Long-term guarantee deposited	543
Structures	1,127	Asset retirement obligations	696
Machinery and equipment	538	Other	193
Vehicles	38	**Total liabilities**	**21,244**
Tools, furniture and fixtures	615	**NET ASSETS**	
Land	21,589	**Shareholders' equity**	**44,519**
Construction in progress	928	**Capital stock**	**8,166**
Intangible assets	**36**	**Capital surplus**	**9,031**
Software	21	Legal capital surplus	9,026
Right of using facilities	14	Other capital surplus	4
Investments and other assets	**9,634**	**Retained earnings**	**34,634**
Investment securities	3,260	Legal retained earnings	940
Long-term loans receivable	108	Other retained earnings	33,694
Long-term prepaid expenses	92	Reserve of gains on insurance claims	26
Prepaid pension cost	129	Reserve for advanced depreciation of non-current assets	247
Deferred tax assets	1,625	General reserve	22,800
Guarantee deposits	4,361	Retained earnings brought forward	10,620
Other	116	**Treasury stock**	**(7,311)**
Allowance for doubtful accounts	(58)	**Valuation and translation adjustments**	**(2,209)**
		Valuation difference on available-for-sale securities	**1,684**
		Revaluation reserve for land	**(3,894)**
		Total net assets	**42,309**
Total assets	**63,554**	**Total liabilities and net assets**	**63,554**

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

Non-Consolidated Statement of Income

(Millions of yen)

Account	41st Fiscal Year (From April 1, 2014, to March 31, 2015)
Net sales	**75,772**
Cost of sales	22,686
Gross profit	**53,085**
Selling, general and administrative expenses	47,001
Operating income	**6,083**
Non-operating income	**497**
Interest and dividend income	50
Land and house rent received	68
Surrender value of directors' life insurance	59
Franchise chain accession fee	120
Compensation income	79
Other	120
Non-operating expenses	**155**
Interest expenses	47
Rent expenses	24
Donation for disaster relief	50
Other	35
Ordinary income	**6,425**
Extraordinary income	**69**
Gain on sales of non-current assets	5
Gain on sales of investment securities	64
Extraordinary losses	**355**
Loss on retirement of non-current assets	114
Loss on sales of non-current assets	9
Impairment loss	74
Loss on valuation of investments in capital of subsidiaries and associates	57
Directors' condolence money	100
Income before income taxes	**6,140**
Income taxes—current	2,512
Income taxes—deferred	(55)
Net income	**3,683**

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, 2014, to March 31, 2015) (Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve of gains on insurance claims	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2014	8,166	9,026	4	9,031	940	27	241	22,800	8,980	32,989
Cumulative effects of changes in accounting policies									190	190
Restated balance as of April 1, 2014	8,166	9,026	4	9,031	940	27	241	22,800	9,171	33,179
Changes of items during period										
Provision of reserve of gains on insurance claims						1			(1)	—
Reversal of reserve of gains on insurance claims						(2)			2	—
Provision of reserve for advanced depreciation of non-current assets							11		(11)	—
Reversal of reserve for advanced depreciation of non-current assets							(5)		5	—
Dividends of surplus									(2,190)	(2,190)
Net income									3,683	3,683
Purchase of treasury stock										
Reversal of revaluation reserve for land									(38)	(38)
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	(0)	6	—	1,449	1,454
Balance as of March 31, 2015	8,166	9,026	4	9,031	940	26	247	22,800	10,620	34,634

	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	
Balance as of April 1, 2014	(5,016)	45,170	795	(3,987)	(3,192)	41,978
Cumulative effects of changes in accounting policies		190				190
Restated balance as of April 1, 2014	(5,016)	45,360	795	(3,987)	(3,192)	42,168
Changes of items during period						
Provision of reserve of gains on insurance claims		—				—
Reversal of reserve of gains on insurance claims		—				—
Provision of reserve for advanced depreciation of non-current assets		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends of surplus		(2,190)				(2,190)
Net income		3,683				3,683
Purchase of treasury stock	(2,295)	(2,295)				(2,295)
Reversal of revaluation reserve for land		(38)		38	38	—
Net changes of items other than shareholders' equity			888	54	943	943
Total changes of items during period	(2,295)	(840)	888	93	982	141
Balance as of March 31, 2015	(7,311)	44,519	1,684	(3,894)	(2,209)	(42,309)

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

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

Independent Auditor's Report

May 18, 2015

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 444, Paragraph 4, of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, the basis for preparation of consolidated financial statements and other notes to the consolidated financial statements of Ohsho Food Service Corp. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2014, to March 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, from an independent viewpoint. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Although the purpose of the audit is not expressly to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances. 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 consolidated financial statements.

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ohsho Food Service Corp. and its consolidated subsidiary as of March 31, 2015, and the consolidated result of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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.

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

Independent Auditor's Report

May 18, 2015

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 the non-consolidated financial statements and the supplementary schedules thereof of Ohsho Food Service Corp. (hereinafter referred to as the "Company") for the 41st fiscal year from April 1, 2014, to March 31, 2015.

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 supplemental 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 supplemental 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 supplemental 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 supplemental 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 supplemental 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 supplemental 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 supplemental 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 supplemental 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, 2015, and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

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 41st fiscal year from April 1, 2014, to March 31, 2015, 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. Summary of Auditing Methods by the Corporate Auditors and the Board of Corporate Auditors

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.

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 Audit Office and other employees and any other relevant personnel; and made efforts to prepare the environment for information collection and audit, as well as participated in 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. In addition, 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 prepared 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 controls system), we received regular reports from Directors, employees and other relevant personnel regarding the development and operation of the system, requested explanations as needed and expressed opinions. Regarding the internal controls for financial reporting, we received reports from Directors, other relevant personnel and Deloitte Touche Tohmatsu LLC on the evaluation and status of audit of said internal controls and requested explanations as needed.

We examined 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, based on the careful consideration that took place during meetings of the Board of Directors and others. With respect to the subsidiary, we communicated and exchanged information with Directors of the subsidiary and received business reports from the subsidiary as necessary. Based on the above methods, we examined the Business Report and supporting schedules for the fiscal year under review.

Furthermore, we 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, we 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 prepared 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 non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements) for the fiscal year under review.

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 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 controls 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, including the internal controls for financial reporting.
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 interest 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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 21, 2015

Board of Corporate Auditors, Ohsho Food Service Corp.

Full-Time Outside Corporate Auditor	Yutaka Nakamura (Seal)
Outside Corporate Auditor	Kazuyuki Morisawa (Seal)
Outside Corporate Auditor	Kenryo Nakatani (Seal)

(Securities Code 9936)
June 5, 2015

To Shareholders with Voting Rights:

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

INFORMATION DISCLOSURE ON THE INTERNET REGARDING THE NOTICE OF THE 41ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

These documents 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 Web site> http://www.ohsho.co.jp

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

① Number of consolidated subsidiaries: 1

② Name of the consolidated subsidiary: DALIAN OHSHO FOOD SERVICE CO., LTD.

(2) Application of the equity method

Not applicable.

(3) Matters concerning the fiscal year, etc., of the consolidated subsidiary

The closing date of DALIAN OHSHO FOOD SERVICE CO., LTD., is December 31. In preparing the consolidated financial statements, the subsidiary's financial statements as of and for the year ended December 31 are used with necessary adjustments provided for consolidation purposes with regard to material transactions between its closing date and the consolidated closing date (March 31).

(4) Accounting standards

① Standards and methods for valuation of important assets

Securities

Available-for-sale securities

Marketable available-for-sale securities are stated at the fair 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.

Inventories

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

② Depreciation or amortization method for important depreciable or amortizable assets

Property, plant and equipment are depreciated mainly on a declining-balance basis primarily over the useful lives of ten (10) to thirty-one (31) years for buildings and structures and six (6) to ten (10) years for machinery and vehicles.

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.

③ Accounting standards for important reserves

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.

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.

④ Translation of important assets and liabilities denominated in foreign currencies into yen

The assets and liabilities of the Group’s overseas subsidiary are translated into yen based on the spot rate of exchange in the foreign exchange market on the balance sheet date, whereas revenue and expenses are translated into yen based on the average rate of exchange for the fiscal term. The differences resulting from such translations are included in “Foreign currency translation adjustment” under Net assets.

⑤ Other important matters for preparing the consolidated financial statements

Method of accounting for retirement benefits

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.

Accounting for consumption taxes

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

2. Changes in Accounting Policies

(Application of the Accounting Standard for Retirement Benefits, etc.)

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the “Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015, hereinafter the “Guidance”) from the fiscal year ended March 31, 2015, as to the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard and Paragraph 67 of the Guidance. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing projected retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using the approximate number of years of expected average length of remaining service period of employees to the method using a single weighted average discount rate reflecting the estimated period and amount of benefit payment.

The Accounting Standard and the Guidance were applied in accordance with the transitional treatment set forth in Paragraph 37 of the Accounting Standard, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the fiscal year under review.

This resulted in a decrease of ¥81 million in net defined benefit liability, whereas a net defined benefit asset of ¥213 million was newly recorded with a decline of ¥104 million in deferred tax assets and an increase of ¥190 million in retained earnings at the beginning of the year under review. The effect of this change on consolidated operating income, ordinary income and income before income taxes and minority interests for the fiscal year under review was insignificant.

The effect of this change on per share information is described in the applicable note.

3. Changes in Presentation

(Consolidated statement of income)

"Insurance income" (¥48 million for the fiscal year under review) under Non-operating income and "Commission for commitment line" (¥14 million) and "Cash over and short" (¥14 million) under Non-operating expenses were separately recorded for the previous fiscal year. Because the amounts of these accounts have fallen below 10% of the total non-operating income and the total non-operating expenses, respectively, they have been included in "Other" under Non-operating income and Non-operating expenses, respectively, effective from the fiscal year under review.

"Donation for disaster relief" (¥10 million for the previous fiscal year) was included in "Other" under Non-operating expenses for the previous fiscal year. Because the amount of this account has exceeded 10% of the total non-operating expenses, it has been separately recorded, effective from the fiscal year under review.

4. Notes to the Consolidated Statement of Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥39,044 million

(2) Guarantee obligations

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

Three (3) franchisees: ¥133 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 of March 31, 1998) and the Law for Partial Revision to the Act on Revaluation of Land (Law No. 19 of 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 of 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, 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, 2015, and its book value after revaluation: ¥(6,501) million

5. Notes to the Consolidated Statement of Income

Impairment loss

The Group records the impairment loss as follows.

Area	Usage	Type	Impairment loss (Millions of yen)
Kansai Area	Two (2) stores	Buildings, structures and land	74

The grouping of assets is made mainly on the basis of stores. As to the stores for which the land price or operating income has deteriorated, an impairment loss of ¥74 million (¥22 million for buildings and structures and ¥52 million for land) 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%.

6. Notes to Consolidated Statements of Changes in Net Assets

(1) Type and number of issued shares

Type of shares	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common stock	23,286,230	—	—	23,286,230

(2) Distribution of surplus

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 27, 2014	Common stock	1,211	60	March 31, 2014	June 30, 2014
Meeting of the Board of Directors on October 31, 2014	Common stock	979	50	September 30, 2014	December 2, 2014

② Dividends 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 26, 2015.

Resolution	Type of stock	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 26, 2015	Common stock	979	50	March 31, 2015	June 29, 2015

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

7. Financial Instruments

(1) Status of financial instruments

① Policy for handing financial instruments

The Group limits the financial instruments for fund management to short-term financial assets such as deposits, while using bank loans to raise funds. The Group 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 Group 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.

Accounts payable—trade are mostly due within one month.

Loans payable are primarily intended to procure necessary operating funds and capital investment funds, and they are due within five (5) 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.

Income taxes payable, including income taxes, resident taxes for prefectures and municipalities and enterprise taxes to accrue, are almost all due within two (2) months.

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 three (3) months equivalent of consolidated 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, 2015, as well as any difference between the two, are as follows.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	14,866	14,866	—
(2) Investment securities Available-for-sale securities	3,260	3,260	—
(3) Guarantee deposits	4,361		
Allowance for doubtful accounts[1]	(10)		
	4,351	4,204	(147)
Total assets	22,478	22,331	(147)
(1)Accounts payable—trade	1,770	1,770	—
(2) Income taxes payable	1,032	1,032	—
(3) Long-term loans payable (including the current portion thereof)	9,849	9,849	0
Total liabilities	12,652	12,652	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) Accounts payable—trade and (2) Income taxes payable

The fair value of these instruments 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.

(3) 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, 2015, net income from these rental properties amounted to ¥44 million, of which revenue is included in Non-operating income and expenses are included in Non-operating expenses.

(2) Fair value of investment and rental properties

The carrying value of investment and rental properties on the consolidated balance sheet, the increase/decrease thereof for the fiscal year under review and the fair value thereof as of March 31, 2015, are as follows.

(Millions of yen)

Carrying value on consolidated balance sheet			Fair value as of March 31, 2015
Balance as of April 1, 2014	Increase/Decrease	Balance as of March 31, 2015	
815	(12)	803	653

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

2. The decrease during the year under review mainly resulted from 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: ¥2,174.84

Net income per share: ¥186.78

Note: As stated in "Changes in Accounting Policies," the Group applies the Accounting Standard for Retirement Benefits and its Guidance by following the transitional treatment provided for in Paragraph 37 of said Accounting Standard.

This application resulted in an increase of ¥9.72 in net assets per share for the fiscal year under review. The effect of this application on net income per share was negligible.

10. Significant Subsequent Events

By a resolution of the Board of Directors held on May 15, 2015, the Company acquired treasury stock through the Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3) on May 18, 2015, as follows.

(1) Reason for the acquisition

Enable the execution of flexible capital policies to address a changing management environment.

(2) Type of shares acquired: Common stock

(3) Number of shares acquired: 400,000 shares

(4) Total stock acquisition cost: ¥1,712 million

(5) Date of acquisition: May 18, 2015

11. Other Notes

Retirement benefit accounting

(1) Description of retirement benefit plans

The Company's retirement benefits for employees are entirely covered by defined-benefit corporate pension plans.

(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	1,606
Cumulative effects of changes in accounting policies	(295)
Restated balance at the beginning of the year	1,311
Service cost	163
Interest cost	19
Actuarial differences generated	(1)
Retirement benefits paid	(85)
Retirement benefit obligation at the end of the year	1,407

② Adjustments between the beginning and ending balances of plan assets

	(Millions of yen)
Plan assets at the beginning of the year	1,525
Expected return on plan assets	22
Actuarial differences generated	247
Contribution from employers	240
Retirement benefits paid	(85)
Plan assets at the end of the year	1,950

③ Adjustments between the ending balances of the retirement benefit obligation and plan assets and the net defined benefit asset reported on the consolidated balance sheet

	(Millions of yen)
Retirement benefit obligation for funded plans	1,407
Plan assets	(1,950)
Net asset or liability reported on the balance sheet	(543)
Net defined benefit asset	(543)
Net asset or liability reported on the balance sheet	(543)

④ Breakdown of retirement benefit expenses

	(Millions of yen)
Service cost	163
Interest cost	19
Expected return on plan assets	(22)
Amortization of actuarial differences	(101)
Retirement benefit expenses for defined benefit plans	58

⑤ Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following.

	(Millions of yen)
Unrecognized actuarial differences	413

⑥ Matters regarding plan assets

Major components of plan assets:

Plan assets consist of the following.

Domestic bonds	25%
Foreign bonds	8%
Domestic stocks	32%
Foreign stocks	30%
Other	5%
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.

⑦ Assumptions used in the actuarial calculations

The major assumptions used in the actuarial calculations as of March 31, 2015, were as follows.

Discount rate	1.5%
Long-term expected rate of return on plan assets	1.5%

Asset retirement obligations

Asset retirement obligations recorded on the 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	666
Increase due to the acquisition of property, plant and equipment	19
Adjustments associated with the passage of time	10
Decrease due to fulfillment of the asset retirement obligations	(0)
Balance at the end of the year	696

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 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 declining-balance basis mainly over the useful lives of ten (10) to thirty-one (31) years for buildings, ten (10) to twenty (20) years for structures and eight (8) to ten (10) years for machinery and vehicles.

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 difference from the retirement benefit obligations, the excess is recorded as “Prepared pension cost” under Investments and other assets.

Unrecognized actuarial differences are treated differently between the non-consolidated and consolidated balance sheets.

(4) Accounting for consumption taxes

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

2. Changes in Accounting Policies

(Application of the Accounting Standard for Retirement Benefits, etc.)

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the “Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015, hereinafter the “Guidance”) from the fiscal year ended March 31, 2015, as to the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard and Paragraph 67 of the Guidance. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing projected retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using the approximate number of years of expected average length of remaining service period of employees to the method using a single weighted average discount rate reflecting the estimated period and amount of benefit payment.

The Accounting Standard and the Guidance were applied in accordance with the transitional treatment set forth in Paragraph 37 of the Accounting Standard, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the fiscal year under review.

This resulted in a decrease of ¥295 million in provision for retirement benefits, a decline of ¥104 million in deferred tax assets and an increase of ¥190 million in retained earnings brought forward at the beginning of the year under review. The effect of this change on non-consolidated operating income, ordinary income and income before income taxes for the fiscal year under review was insignificant.

The effect of this change on per share information is described in the applicable note.

3. Changes in Presentation

(Non-consolidated statement of income)

"Insurance income" (¥48 million for the fiscal year under review) under Non-operating income and "Commission for commitment line" (¥14 million) and "Cash over and short" (¥14 million) under Non-operating expenses were separately recorded for the previous fiscal year. Because the amounts of these accounts have fallen below 10% of the total non-operating income and the total non-operating expenses, respectively, they have been included in "Other" under Non-operating income and Non-operating expenses, respectively, effective from the fiscal year under review.

"Donation for disaster relief" (¥10 million for the previous fiscal year) was included in "Other" under Non-operating expenses for the previous fiscal year. Because the amount of this account has exceeded 10% of the total non-operating expenses, it has been separately recorded, effective from the fiscal year under review.

4. Notes to the Non-Consolidated Statement of Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥39,044 million

(2) Guarantee obligations

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

Three (3) franchisees: ¥133 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 of March 31, 1998) and the Law for Partial Revision to the Act on Revaluation of Land (Law No. 19 of 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 of 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, 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, 2015, and its book value after revaluation: ¥(6,501) million

(4) Total amount of monetary obligations to Directors and Corporate Auditors: ¥193 million

5. 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	Two (2) stores	Buildings and land	74

The grouping of assets is made mainly on the basis of stores. As to the stores for which the land price or operating income has deteriorated, an impairment loss of ¥74 million (¥22 million for buildings and ¥52 million for land) 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%.

6. Notes to Non-Consolidated Statements of Changes in Net Assets

Type and number of treasury stock

Type of shares	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common stock	3,099,964	600,075	—	3,700,039

Note: The increase of 600,075 treasury stock consisted of 600,000 shares acquired in accordance with a resolution of the Board of Directors and the purchase of 75 less-than-unit shares.

7. 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	292
Enterprise taxes payable	96
Other	76
Total deferred tax assets	**465**

② Non-current assets and liabilities

	(Millions of yen)
Deferred tax assets:	
Allowance for doubtful accounts	22
Property, plant and equipment	1,998
Accumulated impairment loss	266
Asset retirement obligations	224
Investment securities	204
Investments in capital of subsidiaries and associates	91
Other	119
Total gross deferred tax assets	2,928
Valuation allowance	(518)
Total deferred tax assets	**2,409**
Deferred tax liabilities:	
Expenses for fulfilling asset retirement obligations	114
Prepaid pension cost	41
Reserve for advanced depreciation of non-current assets	117
Valuation difference on available-for-sale securities	498
Reserve of gains on insurance claims	12

Total deferred tax liabilities	**784**
Net deferred tax assets	**1,625**

(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	35.5%
(Adjustment)	
Per capita taxes	4.0%
Entertainment expenses, etc.	0.3%
Increase in valuation allowance	0.4%
Tax credits for promoting income growth	(4.1)%
Downward adjustment on year-end deferred tax assets due to the tax-rate change	4.1%
Other	(0.2)%
Effective tax rate after the adoption of tax-effect accounting	**40.0%**

8. Per Share Information

Net assets per share: ¥2,160.19

Net income per share: ¥187.19

Note: As stated in "Changes in Accounting Policies," the Company applies the Accounting Standard for Retirement Benefits and its Guidance by following the transitional treatment provided for in Paragraph 37 of said Accounting Standard.

This application resulted in an increase of ¥9.72 in net assets per share for the fiscal year under review. The effect of this application on net income per share was negligible.

9. Significant Subsequent Events

By a resolution of the Board of Directors held on May 15, 2015, the Company acquired treasury stock through the Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3) on May 18, 2015, as follows.

(1) Reason for the acquisition

Enable the execution of flexible capital policies to address a changing management environment.

(2) Type of shares acquired: Common stock

(3) Number of shares acquired: 400,000 shares

(4) Total stock acquisition cost: ¥1,712 million

(5) Date of acquisition: May 18, 2015