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I. Report on the results of 2nd quarter

(1) Operating results

Business environment of food business industry did not allow us to have an optimistic view on it due to slow recovery of individual consumption, increase of staff recruiting costs and hike of food material costs.

Under such circumstances, our main activity was focused on “Food Business Producer (FBP)” . Tenpos-busters targets to be FBPs who comprehensively provide information on restaurant outlet for sales or rent, high quality interior decoration at reasonable costs, leasing or credit offer to meet client' financial needs, menu and other promotional proposals, business planning assistance for starters and M&A assistance. Tenpos-busters, in its FBP activities, emphatically provides information and services through the internet, thereby shifting its main business operation from its current store sales to such new areas.

The accumulative consolidated operating results for this quarter are;

Sales of JYE13.47 billion (2.9% increase over the same period of the previous year),

Operating profit of JYE1.075billion (9.8% increase over the said period),

Profit from the ordinary activities of JYE1.138billion (10.3% increase over the said period), and

Profit attributable to the Parent company of JYE0.551billion (3.0% increase over the said period).

Segmental operating results are as follows;

In "Store sales", the sales amounted to JYE7.216billion or 3.4% increase over the same period of the previous year with the operating profit of JYE559million (8.6% decrease of the said period) by focusing, among others, such activities as,

1. Area Managers (AM) were further encouraged to take roles to follow up on their areas in day-to-day sales activities
2. Sales Department gave two lectures, 7 training seminars, 4 demonstrative programs and 12 business planning seminars for single or small chain restaurant operators to support their business.
3. The assistances were extended to start-ups by assisting them with information on

installation of telephone and credit card transaction units, mystery shoppers and so on.

4. Service or maintenance network was expanded contracting 80 service companies and planned to further extend to cover all over Japan in the near future.
5. Uploaded used kitchenware items were increased substantially, namely from 16,000 items in the first quarter to 19,200 items, thereby increasing sales amount by 11.1%.

In "Information and Service", the sales amounted to JYE1.952billion (5.9% decrease over the same period of the previous year) with the operating profit of JYE1.58million (1.5% increase of the said period). The efforts were made in such areas as,

1. As a part of IT sales expansion, maintenance service was further promoted to cover various maker products. Sales of iPad order entry system called Tenpos-air was substantially increased.
2. Closer tie-up with the current major clients was encouraged to assist them in their sales promotion, resulting in increasing our own sales.
3. Mystery client survey done monthly by telephone calls and ensuing trainings conducted obviously upgaraded communication skills of those staff involved.

"Restaurant Operation" had the sales amount of JYE4.571billion (6.4% increase over that of the same period of the previous year) and JYE395million of operating profit, 51.75% increase over the said period) , taking such steps as,

1. A series of taining programs were introduced for employees to be professionals in customer service as well as sales and marketing.
2. New outlets were opened in three locations, two for Asakuma as steak houses and one for Asakuma Succession Co. Ltd, the subsidiary of Asakuma, resulting the outlet numbers of 85 at the end of quarter period.
3. Two outlets of Asakuma Succession were shut down during the period for the sake of overall improvement of operation.

(2) Consolidated financial position

1. Financial position

Total assets amounted to JYE11.624billion at the end of this quarter period or increase of JYE55million over that of the same period of the previous year.

(Current assets)

At the end of this period, current assets amounted to JYE8.284billion, or an increase of 80million over the said period, which is mainly due to the increase of cash & bank deposits of 247million, inventory of 153million and 322 million of payables.

(Non-current assets)

At the end of this period, Non-current assets amounted to JYE3.34billion, or a decrease of 25million over the said period due to an increase of associated company investment of 40million and securities and deposits of 34million against a decrease of Buildings and Structures of 93million.

(Current liabilities)

Current liabilities amounted to JYR3.399billion at the end of the period, or an increase of 487million over the said period, mainly due to a decrease of payables of 202million and tax payables of 151million.

(Non-current liabilities)

At the end of this period, non-current liabilities amounted to 178million, or a decrease of 30million over the said period mainly due to the decrease of 10million of Asset retirement obligation.

(Net assets)

Net assets increased by 573million with the resultant total amount of 8.046billion as the result of an increase of accumulated profit of 469million and minority interest of 90million.

2. Cash flows

Resultant cash and cash equivalent at the end of this period amounted to JYE4.393billion, or an increase of 774million over that of the same period of the previous year.

(Cash flows from operating activities)

Cash flows from operating activities resulted in cash revenue of JYE466million, while that of the same period of the previous year being JYE779million. This is due to inventory decrease, tax payables increase and increase of various liabilities.

(Cash flows from investment activities)

Cash flows from investment activities resulted in cash outflow of JYE119million as against that of 587million of the said period, due to purchase of tangible assets.

(Cash flows from financial activities)

Cash flows from financial activities resulted in cash outflow of JYE98million, while that of the said period being 37million, mainly due to dividends payment.

(3) Forecast on consolidated operating result

As the sales and profit results during this accounting year have been in line with the forecast made June 10th, 2016. we do not amend such forecast for the third quarter and for this accounting year.

II. Summary information

(1) Changes to important subsidiaries

During this quarter period, we had a merger of subsidiaries with Tenpos-financial Trust Co. Ltd (previously named Tenpos-tenpo-kikaku) as the merging company with Tenpos F&M Co. Ltd as the merged company.

(2) Peculiar accounting policy applicable to the quarterly consolidated financial results

No applicable policy

(3) Changes to the accounting policy, amendment to the estimates and restatement

To meet the changes of tax accounting rules on June 17th, 2016, we made a change of depreciation method from the previous percentage depreciation to fixed amount depreciation. Resultant effects of the changes of depreciation methods was minimum.

(4) Other information

The accounting rules adopted on March 23rd, 2016 on application of deferred tax assets has been applied from the beginning of this accounting period.

Quarterly Consolidated Balance Sheet

(Unit: JYE Million)

	Accounting period ending April30, 2016	End of 2nd Quarter(October31,2016)
Assets		
Current assets		
Cash and deposits	4,145	4,393
Notes and accounts receivable - trade	1,367	1,044
Inventories	※1 2,360	※1 2,514
Deferred tax assets	137	112
Other	202	225
Allowance for doubtful accounts	△10	△6
Total current assets	8,203	8,284
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,168	1,103
Machinery, equipment and vehicles, net	75	75
Land	91	91
Construction in progress	2	25
Other, net	151	149
Total property, plant and equipment	1,490	1,445
Intangible assets		
Goodwill	157	131
Other	51	53
Total intangible assets	208	184
Investments and other assets		
Investment securities	320	316
Shares of subsidiaries and associates	332	372
Long-term loans receivable	25	15
Lease and guarantee deposits	820	855
Deferred tax assets	139	116
Other	81	78
Allowance for doubtful accounts	△53	△44
Total investments and other assets	1,666	1,710
Total non-current assets	3,365	3,340
Total assets	11,569	11,624
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,882	1,680
Income taxes payable	600	449
Provision for shareholder benefit program	72	29
Provision for bonuses	244	239
Provision for product warranties	18	24
Other	1,068	975
Total current liabilities	3,887	3,399
Non-current liabilities		
Net defined benefit liability	60	57
Asset retirement obligations	61	51
Other	86	69
Total non-current liabilities	208	178
Total liabilities	4,095	3,577
Net assets		
Shareholders' equity		
Capital stock	509	509
Capital surplus	486	483
Retained earnings	6,341	6,811
Treasury shares	△820	△820
Total shareholders' equity	6,516	6,983
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total accumulated other comprehensive income	0	0
Subscription rights to shares	33	49
Non-controlling interests	922	1,012
Total net assets	7,473	8,046
Total liabilities and net assets	11,569	11,624

Quarterly Accumulated Consolidated Statement of Income

(Unit: JYE Million)

	Previous 2nd Quarter (MAY01-October31,2015)	This 2nd Quarter(May01-October31,2016)
Net sales	13,350	13,740
Cost of sales	7,733	7,912
Gross profit	5,616	5,827
Selling, general and administrative expenses	※1 4,637 ※1	4,752
Operating income	978	1,075
Non-operating income		
Interest income	1	1
Interest on securities	1	0
Share of profit of entities accounted for using equity method	30	40
Other	28	33
Total non-operating income	62	76
Non-operating expenses		
Interest expenses	0	1
Other	8	12
Total non-operating expenses	9	13
Ordinary income	1,031	1,138
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of shares of subsidiaries and associates	5	-
Other	-	5
Total extraordinary income	5	5
Extraordinary losses		
Loss on retirement of non-current assets	7	34
Loss on sales of non-current assets	1	-
Other	-	10
Total extraordinary losses	9	44
Profit before income taxes	1,028	1,099
Income taxes - current	419	409
Income taxes - deferred	12	47
Total income taxes	431	457
Profit	597	641
Profit attributable to non-controlling interests	62	90
Profit attributable to owners of parent	534	551

Quarterly Consolidated Statement of Comprehensive Income

(Unit: JYE Milion)

	Previous 2nd Quarter(May01-October31,2015)	This 2nd Quarter(May01-October31, 2016)
Profit	597	641
Other comprehensive income		
Valuation difference on available-for-sale securities	1	△0
Total other comprehensive income	1	△0
Comprehensive income	598	641
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	535	551
Comprehensive income attributable to non-controlling interests	62	90

Quarterly Consolidated Statement of Cash Flows

(Unit: JYE Million)

	Previous 2nd Quarter (May01-October31,2015)	This 2nd Quarte(May01-October31,2016)
Cash flows from operating activities		
Profit before income taxes	1,028	1,099
Depreciation	107	112
Amortization of goodwill	47	26
Loss on store closings	-	3
Asset retirement cost	-	6
Share of (profit) loss of entities accounted for using equity method loss	△30	△40
Loss on retirement of non-current assets	7	-
Loss on retirement of non-current assets	-	34
Increase (decrease) in allowance for doubtful accounts	△19	△3
Increase (decrease) in provision for bonuses	△9	△4
Increase (decrease) in provision for product warranties	9	6
Increase (decrease) in provision for shareholder benefit program	△14	△42
Increase (decrease) in net defined benefit liability	△18	△3
Interest and dividend income	△3	△2
Loss (gain) on sales and retirement of non-current assets	1	-
Loss (gain) on sales of shares of subsidiaries and associates	△5	-
Interest expenses	-	1
Decrease (increase) in notes and accounts receivable - trade	437	326
Decrease (increase) in inventories	△340	△153
Decrease (increase) in other current assets	△58	△21
Increase (decrease) in notes and accounts payable - trade	129	△206
Increase (decrease) in accrued consumption taxes	△158	△45
Increase (decrease) in other current liabilities	235	△65
Subtotal	1,345	1,026
Interest and dividend income received	2	2
Interest expenses paid	-	△1
Income taxes paid	△569	△561
Net cash provided by (used in) operating activities	779	466
Cash flows from investing activities		
Collection of long-term loans receivable	9	3
Proceeds from redemption of securities	60	-
Payments for transfer of business	△150	-
Proceeds from sales of property, plant and equipment	2	-
Purchase of property, plant and equipment	△340	△78
Purchase of investment securities	△108	-
Purchase of intangible assets	△14	△10
Payments for lease and guarantee deposits	△44	△34
Proceeds from collection of lease and guarantee deposits	0	2
Other, net	△2	△4
Net cash provided by (used in) investing activities	△587	△119
Cash flows from financing activities		
Proceeds from sales of treasury shares	42	-
Cash dividends paid	△70	△87
Repayments of lease obligations	△9	△11
Net cash provided by (used in) financing activities	△37	△98
Net increase (decrease) in cash and cash equivalents	154	247
Cash and cash equivalents at beginning of period	3,463	4,145
Cash and cash equivalents at end of period	※1 3,618 ※1	4,393