

To Our Shareholders:

Information Disclosed on the Internet in connection with
the Notice of the 47th Ordinary General Shareholders' Meeting
(items which are deemed as provided to the shareholders based on the
applicable laws and regulations and the Articles of Incorporation)

Based on the applicable laws and regulations and Article 16 of the Articles of Incorporation, we have posted the following items on our website (<http://www.g-networks.jp>) for your reference, instead of attaching them to the notice of the 47th ordinary general shareholders' meeting.

The following items which are related to Proposal No. 1 of the reference documents for the shareholders' meeting:

- (1) Contents of documents including the financial statements, etc. for the most recent fiscal year of G.taste Co., Ltd. and SAKAI CO., LTD.
- (2) Joint Incorporation-Type Split Plan

G.networks CO., LTD.

- (1) Contents of documents including the financial statements, etc. for the most recent fiscal year of G.taste Co., Ltd.

Business Report

(From April 1, 2012
to March 31, 2013)

1. Current status of the Company
 - (1) Business status in the current fiscal year

1. Business progress and results

During the current fiscal year, positive signs of economic improvement were evident in the Japanese economic environment, with a marked correction in the strong yen and recovery in stock prices due to government economic policies (so-called Abenomics) following the change of government in the fourth quarter. An overall sense of weakness prevailed, however, until the end of the third quarter with continued financial instability in various European countries and concerns for an economic slow down outside Japan.

In the restaurant industry, low-price competition continued unchanged in various business categories with the thrift minded tendency of consumers, and while going forward expectations are for further economic improvement due to the weaker yen, the risks of price increases of raw materials, food, and utilities is a concern. Given this situation, the Company has been working to improve business results by aiming to strengthen its Franchising Division and to increase efficiency of operations, as well as to roll out new business category stores in order to improve profitability. In addition, it has aimed to strengthen existing stores by making adjustments to unprofitable ones and changing business categories.

As a result of the above, the business results were sales of 15.503 billion yen (a year-on-year decrease of 8.3%), operating income of 774 million yen (a year-on-year decrease of 33.9%) and ordinary income of 730 million yen (a year-on-year decrease of 34.9%). Note that due to recognition of an extraordinary loss of 492 million yen, including a fixed asset impairment loss of 315 million yen and a charge of 130 million yen for restatement of prior securities filings in accordance with an admonition and surcharge payment order from the Securities and Exchange Surveillance Commission, net income for the period was 127 million yen (a year-on-year decrease of 83.9%).

Segment results are as follows

- a. Sushi business

As of the end of the current fiscal year, the Sushi business had 68 directly-run stores. In addition to providing a limited-time menu with "earthquake reconstruction support ingredients" and revising the gourmet menu at all stores, we implemented a limited-time sushi from our home delivery-only store named "Takuhai Heiroku," and worked on developing a diversified menu and attracting a new class of customer. Additionally, we implemented various sales campaigns, such as the "Mid-Summer Special", "Cool Weather Battle", "Autumn Harvest", "Sushi Day", and "Winter Flower Dance. "

Due to the above, sales were 5.247 billion yen (a year-on-year decrease of 10.2%) and segment income (operating income) was 362 million yen (a year-on-year decrease of 25.2%).

b. Izakaya business

In the Izakaya business, as of the end of the current fiscal year, the Company had 118 directly-run stores. We aimed to increase the number of clients visiting our stores with combined special menus featuring the unique characteristics of each sales category, starting with our main brands, "Toriazu Gohei", "Murasaki" and "Chanko Edosawa", and also by introducing core main menus.

As a result of the above, sales were 9.168 billion yen (a year-on-year decrease of 8.1%) and segment income (operating income) was 953 million yen (a year-on-year decrease of 25.2%).

c. Education business

In the Education business, as of the end of the current fiscal year, the Company had 44 directly-run schools. In English conversation schools, we worked on getting new students by rolling out sales promotion activities for the "NOVA Plus" short-term intensive course, in which students take lessons suited to a specific purpose, and by rolling out promotions to increase the number of new students, starting with our 5-year anniversary campaign. In preparatory schools, while aiming to further improve ordinary courses and summer/winter period courses, we worked on increasing the number of students.

As a result of the above, sales were 704 million yen (a year-on-year increase of 4.2%), and segment income (operating income) was 85 million yen (a year-on-year decrease of 4.0%).

d. Other business

In other businesses, including real estate rents, sales were 383 million yen (a year-on-year decrease of 7.4%), and segment income (operating income) was 51 million yen (a year-on-year decrease of 4.6%).

Sales by Business

Store category		Prior fiscal year (from April 1, 2011 to March 31, 2012)		Current fiscal year (from April 1, 2012 to March 31, 2013)		Change (%)
		Amount (thousand yen)	Proportion (%)	Amount (thousand yen)	Proportion (%)	
Sushi business	Directly-run store sales	5,812,536	34.4	5,222,311	33.7	-10.2
	Franchise and other sales	27,883	0.2	25,126	0.2	-9.9
	Subtotal	5,840,419	34.6	5,247,438	33.9	-10.2
Izakaya business	Directly-run store sales	8,952,548	53.0	8,300,158	53.5	-7.3
	Franchise and other sales	1,019,012	6.0	868,416	5.6	-14.8
	Subtotal	9,971,561	59.0	9,168,574	59.1	-8.1
Education business	Directly-run school sales	655,175	3.9	687,004	4.4	4.9
	Franchise and other sales	20,826	0.1	17,680	0.1	-15.1
	Subtotal	676,002	4.0	704,685	4.5	4.2
Other business	Real estate rental income and others	413,540	2.4	383,071	2.5	-7.4
	Subtotal	413,540	2.4	383,071	2.5	-7.4
Total		16,901,523	100.0	15,503,770	100.0	-8.3

Notes:

1. The above amounts do not include consumption taxes.
2. The Sushi business includes, "Heiroke Sushi", "Sendai Heiroke", "Sendai Getaya", "Ajikou", "Ouu Sushi Seisakusyo", and "Takuhei Heiroke".
3. The Izakaya business includes "Toriezu Gohei", "Chanko Edosawa", "Antonio Inoki Sakaba", "Enya", "Murasaki", "Yururitona Murasaki", "Jizakanaya", "Tokyo Yamitsuki Saka bar", "Patapataya", "Tenteketen", "Furari Murasaki", "Moubuu Dining", "Karatakeya", "Kaihinte", "Paddock", "Spice Pierot", "Amor de GAUDI", "Tsukemen Ichiyoshi", "Kaienmaru", "ZESSAN", "Chotto Yorouya", "Ito Coffee", "Otaru Shokudo", "Haikaraya", "Cats Cafe", "Marusa Suisan", "Omurice Tei", "Motomachi Coffee", "Toribucks", "Yamadamongoru", and "Iroriya Murasaki".
4. The Education business includes "NOVA", "NOVAxGEOS", "ITTO One-on-One Instruction Institute", and "Miyabi One-on-One Instruction Institute".

2. Capital investment

Total capital investment in the current fiscal year was 326 million yen, the majority of which was used for opening new stores and refurbishment expenses.

3. Fund procurement

Capital used for capital investment is procured from the Company's funds.

Also, a total of 1.2 billion yen was procured on Mar 18, 2013 through the issuance of the 6th, 7th and 8th convertible bonds.

4. Business transfers, absorption splits and new spin-offs

Not applicable

5. Transfers of businesses to other companies

Not applicable

6. Succession of rights and obligations related to the business of other companies due to absorption mergers or splits

Not applicable

7. Acquisition or disposal of shares of the Company or stock acquisition rights

a. Acquisition or disposal of shares in other companies

Not applicable

b. Acquisition of stock acquisition rights to other companies

Not applicable

(2) Assets and profit and loss for the last three fiscal years

Classification	51 st period (Period ending March 2010)	52 nd period (Period ending March 2011)	53 rd period (Period ending March 2012)	54 th period (current fiscal year) (Period ending March 2013)
Sales (thousand yen)	16,299,407	17,693,977	16,901,523	15,503,770
Ordinary income (thousand yen)	468,301	25,238	1,120,630	730,063
Net income (loss) for the period (thousand yen)	-612,614	-2,188,130	794,645	127,973
Net income (loss) per share for the period (yen)	-14.02	-36.26	11.55	1.72
Total assets (thousand yen)	12,136,956	11,371,044	11,259,119	10,024,957
Net assets (thousand yen)	5,440,046	3,646,723	4,741,338	4,869,285
Net assets per share (yen)	102.45	55.41	63.76	65.48

Note: Figures for the 51st to 53rd periods are shown following a correction of errors

(3) Status of Important parent companies and subsidiaries

1. Status of parent companies

The parent company of the Company is G.communications Co., Ltd., which owns 32,928 thousand shares (44.34% of the voting rights) of the Company.

The Company is borrowing 624 million yen from G.communications Co., Ltd., which is its parent company.

Note that on February 15, 2013, G.communications Co., Ltd. (hereinafter referred to as G.communications), which is the parent of the Company, issued shares to Cook Innoventure Co., Ltd. (hereinafter referred to as Cook Innoventure) through a third party share allocation. As a result, Cook Innoventure now possesses shares in G.communications equivalent to 68.2% of the voting rights, and is therefore the new parent company of the Company through its indirect shareholdings in the Company.

Also, accompanying the relevant issuance of shares, Foodees Co., Ltd., which held shares in G.communications equivalent to 50.99% of the voting rights, and which used to be the parent company of the Company (through its indirectly shareholdings in the Company), ceased to be the parent company (through its indirectly shareholdings in the Company) of the Company as of February 15, 2013, due to its shareholdings in G.communications having falling to the equivalent of 16.22% of the voting rights.

Also, on May 21, 2013, KOBE BUSSAN CO., LTD. announced that Cook Innoventure Co., Ltd., of which it purchased 18.9% of voting rights, is within the scope of consolidation as a consolidated subsidiary from the second quarter of the period ending October 2013. Due to this, KOBE BUSSAN CO., LTD. became the parent company of the Company as of the same date.

2. Important subsidiaries

Not applicable

(4) Issues to be addressed by the Company

The business environment surrounding the Company is extremely difficult due to an ageing society and increasingly fierce competition with other companies. The Company is working on further growth by proactively dealing with the following issues in particular.

1. Opening new stores
2. Improving existing stores by changing business categories/ conducting renovations
3. Measures to deal with soaring cost
4. Retaining and training staff

(Adjustments to prior years)

The Company had its consolidated accounting treatment of prior years questioned by the Securities and Exchange Surveillance Commission, so it established an investigation team consisting of specialist lawyers and certified public accountants external to the Company. Since it was determined, based on the results of the investigation, that it was necessary to adjust the amount of goodwill, the Company submitted an amendment report to annual reports impacting prior years.

In connection with the issuance of stock acquisition rights and bonds that involved documents such as some securities filings, which are part of the documents currently being revised, the Securities and Exchange Surveillance Commission recommended to the Prime Minister and the Financial Services Agency Commissioner that the Company be issued an order to pay a fine of 114.5 million yen pursuant to the stipulations of Article 20, Item 1 of the Financial Services Agency Establishment Act.

Within the Company, as a measure to prevent recurrence of this matter, the persons responsible were provided training to promote creation of an environment in which specialized operational knowledge can be obtained, and a system is being built within the Company for considering the opinions of knowledgeable persons from outside the Company, aiming to strengthen its system of governance and to strengthen its internal controls, and aiming to rebuild the trust of stakeholders, starting with its shareholders.

(5) Details of the main businesses (as of March 31, 2013)

1. Operation of conveyor belt sushi restaurants
2. Operation of Izakaya establishments
3. Operation of various educational establishments
4. Sales of related products

(6) Main sales sites and stores (as of March 31, 2013)

Head office: 2-2-10, Tsutsujigaoka, Miyagino-ku, Sendai City

Suginami office: 2-35-8 Narita-higashi, Suginami-ku, Tokyo

Ryogoku office: 3-24-11 Ryogoku, Sumida-ku, Tokyo

Directly run stores and schools

(Within Miyagi Prefecture)	46	(Within Tokyo Metropolis)	38
(Within Fukushima Prefecture)	15	(Within Shizuoka Prefecture)	13
(Within Ishikawa Prefecture)	13	(Within Toyama Prefecture)	13
(Within Saitama Prefecture)	12	(Within Niigata Prefecture)	10
(Within Hokkaido)	9	(Within Kanagawa Prefecture)	8
(Within Tochigi Prefecture)	8	(Within Fukui Prefecture)	7
(Within Iwate Prefecture)	7	(Within Chiba Prefecture)	6
(Within Ibaraki Prefecture)	5	(Within Yamagata Prefecture)	5
(Within Aomori Prefecture)	3	(Within Gunma Prefecture)	3
(Within Akita Prefecture)	2	(Within Nagano Prefecture)	2
(Within Osaka Prefecture)	2	(Within Aichi Prefecture)	2
(Within Kyoto Prefecture)	1		

Total: 230 stores

(7) Status of employees (as of March 31, 2013)

No. of employees	Year-on-year Increase/ decrease year	Average age	Average years of service
403 (1,266)	42 (52) decrease	37.0 years	6.1

Notes: 1. The number of employees fell from the prior fiscal year; however, the main reason for this was due to closure of unprofitable stores.

2. The number of employees is the number of permanent staff and excludes part-time workers and temporary employees, of which the average number of staff for the year is shown in brackets.

(8) Main lenders (as of March 31, 2013)

Not applicable

(9) Other important items related to incorporated companies

Not applicable

2. Status of the Company

(1) Shares of the Company (as of March 31, 2013)

1. Total of issuable shares 120,000,000
2. Total issued shares 74,364,376
3. Number of shareholders 12,646
4. Major shareholders (top 10)

Shareholder name	Shares Held	Proportion of
G.communications Co., Ltd.	32,928 thousand shares	44.28%
Takeshi Higuchi	3,189 thousand shares	4.29%
Nobuhiro Kawashima	2,794 thousand shares	3.76%
G.taste Partners Ownership Holdings	1,660 thousand shares	2.23%
Takashi Kawabata	1,022 thousand shares	1.38%
Harunobu Egawa	729 thousand shares	0.98%
Tadahiro Kambayashi	459 thousand shares	0.62%
Kunio Suzuki	300 thousand shares	0.40%
Tadao Imai	270 thousand shares	0.36%
Toshiaki Okuyama	230 thousand shares	0.31%

Note: Proportion of shares is calculated excluding treasury stock (1,729 shares)

(2) Status of Share Option

1. Share option to shares issued to officers of the Company as consideration for the performance of their duties

Not applicable

2. Share option issued to employees as compensation for the performance of their duties during the current fiscal year

Not applicable

3. Other share option, etc.

a. Share option issued based on a decision of the Board of Directors meeting held on August 1, 2009

Number of share options	50
Types and number of stocks subject to share options	7,500 ordinary shares (150 shares per share option)
Amount paid for share options	Issued gratis
Amount of capital spent in executing share options	150 yen per share option (1 yen per share)
Right exercise period	From August 1, 2009 to March 31, 2016
Exercise conditions	<ol style="list-style-type: none">1. Persons allocated share option (hereinafter referred to as share option holders) may exercise their share option only upon leaving the Company. However, in such case, share option holders must exercise all their assign share option at once in the period from the day following leaving the Company (hereinafter this is referred to as the right execution commencement day) until the day 10 days thereafter.2. Each share option does not permit partial execution.3. share option holders may not pledge or otherwise dispose of share option in any way whatsoever.4. If a share option holder passes away, the share option can be exercised by beneficiaries of the inheritance who are direct family members, such as a spouse, child, or parent. However, beneficiaries of the inheritance may exercise share option only in the period from the day following that on which the relevant employee deceased, thereby having left the Company, up to three months thereafter.
Allocation to employees	<ul style="list-style-type: none">- Number of share options: 50- Number of subjects shares: 7,500- Number of employees to whom allocated: 1

b. 1st unsecured convertible corporate bonds issued based on a decision at a meeting of the Board of Directors held on August 14, 2009

[Details of convertible bonds]	
Total amount of corporate bonds	600,000 thousand yen
Amount of each corporate bond	15,000 thousand yen
Coupon rate	3%
Date of issue of corporate bonds	August 31, 2009
Method and date of redemption	<p>1. Redemption amount 100 yen per face value of 100 yen</p> <p>2. Method and term of redemption</p> <p>① To be redeemed for 100 yen per face value of 100 yen, on August 29, 2014</p> <p>② Premature redemption at the discretion of bondholder The bondholders have the right to demand early redemption by the Company for the amount of 100 yen per face value of 100 yen for all or part of their held corporate bonds, in accordance with the stipulations of a special financial agreement (Other Terms and Conditions). In order to exercise such redemption demand rights, the bondholders must show the relevant bonds to be redeemed on a stipulated redemption request form, and must submit it to the redemption payment location stipulated in Item 3 of the present Item, after signing, dating, and applying their personal seals to the request form. The redemption date shall be determined by the Company within a period from the date on which the redemption request was made up to 30 days thereafter.</p> <p>③ Premature redemption at the discretion of the Company If the Company decides at one of its annual shareholders' meetings (if a decision at an annual shareholders' meeting is not required, then in the case of a decision at a meeting of the Board of Directors) to enter into a merger of the Company (only in the case where the Company is not the surviving entity), an absorption-type split, incorporation-type company split, stock swap, or stock transfer (hereinafter referred to as an organizational restructuring action), the Company may, prior to the effective date of the relevant organizational restructuring action, prematurely redeem all unredeemed relevant corporate bonds outstanding at that time for 100 yen per face value of 100 yen.</p> <p>④ Redemption by purchase The Company may purchase the relevant convertible corporate bonds on or after the day following the issuance day.</p>

Method and date of redemption	<p>◎ In the case that the maturity date of the relevant corporate bonds (in the case of early redemption, the date of early redemption) is a non-business day at banks in Tokyo, redemption shall be through payment on the prior business day.</p> <p>3. Redemption payment administrator (place of redemption payment)</p>
Method of subscription	Entire amount allocated through a third party allocation to G.communications Co., Ltd.
[Details of share options]	
Number of share options attached to convertible corporate bonds	40
Types and numbers of shares subject to share options	<p>1. The type of shares subject to share options is ordinary shares.</p> <p>2. The number of new ordinary shares of the Company to be issued by the Company, or otherwise the number of ordinary shares of the Company held by the Company to be disposed of (hereinafter, the issuance or disposal of shares in the Company is referred to as “delivery”) upon requests for execution of the relevant share options (hereinafter referred to as execution requests) shall be the largest integer that can be obtained by dividing the total amount of the face value of the Company's bonds subject to execution requests by the conversion price. However, figures less than one share at the time of execution shall be rounded down, and adjustments should not be made with cash.</p>
Payment amount for share options	600,000 thousand yen
Details of capital paid upon executing share options, and its amount	<p>1. Capital to be paid upon executing each share option shall be the relevant corporate bond related to the relevant share option, and the amount of the relevant corporate bond shall be deemed to be the same as the amount paid for the relevant corporate bond.</p> <p>2. The conversion amount shall be 107 yen per share.</p>
Share option execution period	From September 1, 2009 to August 28, 2014
Capital and capital reserve added if shares are issued through the execution of share options	<p>1. Issuance price per share if shares are issued through the execution of share options</p> <p>The issuance price per share of ordinary shares of the Company issued upon execution of share options shall initially be 107 yen.</p> <p>2. The amount of capital and capital surplus added in the case that shares are issued through the execution of share options</p> <p>The amount of capital added in the case that shares are issued through the execution of share options shall be an amount equal to 0.5 multiplied by the addition limit amount of capital calculated in accordance with the stipulations of Article 17 of the Corporate Accounting Rules; and if there arise amounts less than 1 yen as a result of the calculation, such amounts shall be rounded down. The amount of additional capital reserve shall be reduced by the amount of capital increase according to the limit on the amount of capital increase.</p>
Conditions for executing share options	Each share option does not permit partial execution.

c. 6th unsecured convertible bonds issued based on a decision at a meeting of the Board of Directors held on February 15, 2013

[Details of convertible bonds]	
Total amount of corporate bonds	400,000 thousand yen
Amount of each corporate bond	10,000 thousand yen
Coupon rate	No interest is payable on this corporate bond
Date of issue of corporate bonds	March 18, 2013
Method and date of redemption	<p>1. Redemption amount 100 yen per face value of 100 yen</p> <p>2. Method and term of redemption To be redeemed with 100 yen per face value of 100 yen, on March 18, 2020 (hereinafter referred to as the redemption deadline)(however, if the redemption deadline is not a business day for banks in Japan (hereinafter referred to as a business day), the bondholders of the relevant convertible bonds shall not be paid the amount that they should have been paid on the relevant redemption deadline until the directly following business day, and shall not have rights to receive additional payments in relation to the deferment of such payment).</p>
Method of subscription	Entire amount allocated through a third party allocation to KOBE BUSSAN CO., LTD.
[Details of share options]	
Number of convertible bonds	40
Types and numbers of shares subject to share options	<p>1. The type of shares subject to share options is ordinary shares.</p> <p>2. The number of new ordinary shares of the Company to be issued by the Company, or otherwise the number of ordinary shares of the Company held by the Company to be disposed of (hereinafter, the issuance or disposal of shares in the Company is referred to as “delivery”) upon requests for execution of the relevant share options (hereinafter referred to as execution requests) shall be the largest integer which can be obtained by dividing the total amount of the face value of the Company's bonds subject to execution requests by the conversion price.</p> <p>However, figures less than one share at the time of execution shall be rounded down, and adjustments should not be made with cash.</p>
Payment amount for share options	-

Details of capital paid upon executing share options, and its amount	<p>1. Capital to be paid upon executing each share option shall be the relevant corporate bond related to the relevant share option, and the amount of the relevant corporate bond shall be deemed to be the same as the amount paid for the relevant corporate bond. Also, the relevant bonds subject to capital payment at the time of execution of the relevant share options shall not have a redemption period stipulated, and shall be extinguished at the redemption deadline simultaneously upon the effective execution of the relevant share options.</p> <p>2. The amount per share used in calculating the number of ordinary shares of the Company to be delivered through the execution of the relevant share options (hereinafter referred to as the conversion price) shall be 35.0 yen.</p>
Share option execution period	From April 1, 2013 to March 18, 2020
Capital and capital reserve added if shares are issued through the execution of share options	The amount of capital added if shares are issued through the execution of share options shall be an amount equal to one half multiplied by the addition limit amount of capital calculated in accordance with the stipulations of Article 17 of the Corporate Accounting Rules; and if there arise amounts less than 1 yen as a result of the calculation, such amounts shall be rounded down. Also, in the case of issuance of shares through the execution of share options, the amount of additional capital reserve shall be reduced by the amount of capital increase according to the limit on the amount of capital increase.
Conditions for executing share options	Each share option does not permit partial execution.

d. 7th unsecured convertible bonds issued based on a decision at a meeting of the Board of Directors held on February 15, 2013

[Details of convertible bonds]	
Total amount of corporate bonds	400,000 thousand yen
Amount of each corporate bond	10,000 thousand yen
Coupon rate	No interest is payable on this corporate bond
Date of issue of corporate bonds	March 18, 2013
Method and date of redemption	<p>1. Redemption amount 100 yen per face value of 100 yen</p> <p>2. Method and term of redemption To be redeemed with 100 yen per face value of 100 yen, on March 18, 2020 (hereinafter referred to as the redemption deadline) (however, if the redemption deadline is not a business day for banks in Japan (hereinafter referred to as a business day), the bondholders of the relevant convertible corporate bonds shall not be paid the amount that they should have been paid on the relevant redemption deadline until the directly following business day, and shall not have rights to receive additional payments in relation to the deferment of such payment)</p>
Method of subscription	Entire amount allocated through a third party allocation to KOBE BUSSAN CO., LTD.
[Details of share options]	
Number of corporate bonds	40

Types and numbers of shares subject to share options	<p>1. The type of shares subject to share options is ordinary shares.</p> <p>2. The number of new ordinary shares of the Company to be issued by the Company, or otherwise the number of ordinary shares of the Company held by the Company to be disposed of (hereinafter, the issuance or disposal of shares in the Company is referred to as “delivery”) upon requests for execution of the relevant share options (hereinafter referred to as execution requests) shall be the largest integer which can be obtained by dividing the total amount of the face value of the Company's bonds subject to execution requests by the conversion price.</p>
Payment amount for share options	-
Details of capital paid upon executing share options, and its amount	<p>1. Capital to be paid upon executing each share option shall be the relevant corporate bond related to the relevant share option, and the amount of the relevant corporate bond shall be deemed to be the same as the amount paid for the relevant corporate bond. Also, the relevant bonds subject to capital payment at the time of execution of the relevant share options shall not have a redemption period stipulated, and shall be extinguished at the redemption deadline simultaneously upon the effective execution of the relevant share options.</p> <p>2. The amount per share used in calculating the number of ordinary shares of the Company to be delivered through the execution of the relevant share options (hereinafter referred to as the conversion price) shall be 35.0 yen.</p>
Share option execution period	From April 1, 2013 to March 18, 2020
Capital and capital reserve added if shares are issued through the execution of share options	The amount of capital added if shares are issued through the execution of share options shall be an amount equal to one half multiplied by the addition limit amount of capital calculated in accordance with the stipulations of Article 17 of the Corporate Accounting Rules; and if there arise amounts less than 1 yen as a result of the calculation, such amounts shall be rounded down. Also, in the case of issuance of shares through the execution of share options, the amount of additional capital reserve shall be reduced by the amount of capital increased by the limit on the amount of capital increase.
Conditions for executing share options	Each share option does not permit partial execution.

e. 8th unsecured convertible bonds issued based on a decision at a meeting of the Board of Directors held on February 15, 2013

[Details of convertible bonds]	
Total amount of corporate bonds	400,000 thousand yen
Amount of each corporate bond	10,000 thousand yen
Coupon rate	No interest is payable on this corporate bond
Date of issue of corporate bonds	March 18, 2013
Method and date of redemption	<p>1. Redemption amount 100 yen per face value of 100 yen</p> <p>2. Method and term of redemption To be redeemed with 100 yen per face value of 100 yen, on March 18, 2020 (hereinafter referred to as the redemption deadline)(however, if the redemption deadline is not a business day for banks in Japan (hereinafter referred to as a business day), the bondholders of the relevant convertible corporate bonds shall not be paid the amount that they should have been paid on the relevant redemption deadline until the directly following business day, and shall not have rights to receive additional payments in relation to the deferment of such payment)</p>
Method of subscription	Entire amount allocated through a third party allocation to KOBE BUSSAN CO., LTD.
[Details of share options]	
Number of corporate bonds	40
Types and numbers of shares subject to share options	<p>1. The type of shares subject to share options is ordinary shares.</p> <p>2. The number of new ordinary shares of the Company to be issued by the Company, or otherwise the number of ordinary shares of the Company held by the Company to be disposed of (hereinafter, the issuance or disposal of shares in the Company is referred to as “delivery”) upon requests for execution of the relevant share options (hereinafter referred to as execution requests) shall be the largest integer which can be obtained by dividing the total amount of the face value of the Company's bonds related to execution requests by the conversion price. However, figures less than one share at the time of execution shall be rounded down, and adjustments should not be made with cash.</p>
Payment amount for share options	-
Details of capital paid upon executing share options, and its amount	<p>1. Capital to be paid upon executing each share option shall be the relevant corporate bond related to the relevant share option, and the amount of the relevant corporate bond shall be deemed to be the same as the amount paid for the relevant corporate bond. Also, the relevant bonds subject to capital payment at the time of execution of the relevant share options shall not have a redemption period stipulated, and shall be extinguished at the redemption deadline simultaneously upon the effective execution of the relevant share options.</p> <p>2. The amount per share used in calculating the number of ordinary shares of the Company to be delivered through the execution of the relevant share options (hereinafter referred to as the conversion price) shall be 35.0 yen.</p>
Share option execution period	From Mar 18, 2014 to March 18, 2020
Capital and capital reserve added if shares are issued through the execution of share options	<p>The amount of capital added if shares are issued through the execution of share options shall be an amount equal to one half multiplied by the addition limit amount of capital calculated in accordance with the stipulations of Article 17 of the Corporate Accounting Rules; and if there arise amounts less than 1 yen as a result of the calculation, such amounts shall be rounded down. Also, in the case of issuance of shares through the execution of share options, the amount of additional capital reserve shall be reduced by the amount of capital increased by the limit on the amount of capital increase.</p>

Conditions for executing share options	Each share option does not permit partial execution.
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(3) Directors of the Company

1. Directors and auditors (as of March 31, 2013)

Position within company	Name	Responsibilities and other important roles
Representative Director and President	Fumiyasu Inayoshi	Heiroku business Division Head
Executive Vice President	Ichiro Kawakami	Management planning Division Head Director at G.communications Co., Ltd.
Director	Yuichi Ito	GEIM business Division Head
Director	Masanobu Ougi	Heiroku business Division Deputy Head
Director	Hideo Sugimoto	Representative Director at G.communications Co., Ltd.
Director	Yoshinobu Inazumi	Director G.communications Co., Ltd.
Statutory Auditor	Haruo Hoshi	
Auditor	Masayoshi Komatsu	Representative Director , Fuji Sogo Accounting
Auditor	Kayoko Sato	Statutory Auditor at G.communications Co., Ltd. External Auditor at G.networks CO., LTD. External Auditor at SAKAI CO., LTD.

- Notes:
1. Directors Hideo Sugimoto and Fumiyasu Inayoshi are external directors.
 2. Auditors Masayoshi Komatsu and Kayoko Sato are external auditors.
 3. Auditors Masayoshi Komatsu and Kayoko Sato have an appropriate level of knowledge of finance and accounting, as per the following.
 - Auditor Masayoshi Komatsu is highly familiar with accounting finance as a tax attorney, and has sufficient overall knowledge of company management.
 - Auditor Kayoko Sato, in addition to being an auditor at the Company, is an external auditor at G.networks CO., LTD. and SAKAI CO., LTD., which are listed group companies, and has an appropriate degree of knowledge in relation to finance and accounting.
 4. The Company has specified Masayoshi Komatsu to be an independent director based on the stipulations of the Osaka Stock Exchange, and has notified the Exchange of such fact.
 5. Yukiya Hamano resigned as a director due to expiration of his term at the conclusion of the 53rd annual shareholders' meeting, held on June 28, 2012.

2. Directors retired within the current fiscal year

Not applicable

3. Compensation of directors and auditors

a. Amounts of compensation related to the current fiscal year

Classification	Paid Members	Amount Paid
Directors (of which, external directors)	4 (-)	45,602 thousand yen (-)
Auditors (of which, external auditors)	3 (2)	8,055 thousand yen (4,338 thousand yen)
Total (of which, external directors and auditors)	7 (2)	53,657 thousand yen (4,338 thousand yen)

- Notes: 1. The limit on the amount of director compensation was decided at the 35th annual shareholders' meeting, held on June 29, 1994, to be 20 million yen per month (however, this does not include employee salaries).
2. The limit on the amount of auditor compensation was decided at the 35th annual shareholders' meeting, held on June 29, 1994, to be 3 million yen per month.
3. As of the end of the current fiscal year, there are six directors (of whom, two are external directors), and three auditors (of whom, two are external auditors). Differences in the number of directors are due to the inclusion of two unpaid directors (two external directors).

b. Items relevant to executive retirement benefits paid in the current fiscal year

Not applicable

4. Items related to external directors

a. Important other positions as executives for other corporations and the relationships of the relevant other corporations with the Company

- Hideo Sugimoto, who is a director, is also the Representative Director of G.communications Co., Ltd., which is the parent company of the Company.

- Yoshinobu Inazumi, who is a director, is also the Director of G.communications Co., Ltd., which is the parent company of the Company.

- Masami Komatsu, who is an auditor, is also the Representative Director of Fuji Sogo Accounting Co., Ltd., and there are no particular conflicts of interest with the Company.

b. Important other positions as external directors for other corporations and the relationships of the relevant other corporations with the Company

- Kayoko Sato, who is an auditor, is also a statutory auditor of G.communications Co., Ltd., which is the parent company of the Company. She is also an external auditor of G.networks CO., LTD. and SAKAI CO., LTD., both of which are sister companies of the Company.

c. Main activities in the current fiscal year
 - Attendance at meetings of the Board of Directors and at Auditor Committee meetings

	Meetings of the Board of Directors (Held 28 times)		Meetings of the Auditor Committee (Held 16 times)	
	Number of attendances	Attendance rate	Number of attendances	Attendance rate
Director Hideo Sugimoto	19	95%	-	-
Director Yoshinobu Inazumi	19	95%	-	-
Auditor Masayoshi Komatsu	26	93%	16	100%
Auditor Kayoko Sato	28	100%	16	100%

Note: Hideo Sugimoto and Yoshinobu Inazumi, who are directors, were appointed at the conclusion of the 53rd annual shareholders' meeting, held on June 28, 2012. Also, the attendance rate for both of them is calculated using the number of attendances at meetings of the Board of Directors following the conclusion of the 53rd annual shareholders' meeting.

- Statements at meetings of the Board of Directors and meetings of the Audit Committee

Hideo Sugimoto, who is a director, attended 19 of the 20 meetings of the Board of Directors held following his appointment in June 2012, and provided advice and recommendations in order to ensure the adequacy and accuracy of decision-making at meetings of the Board of Directors.

Yoshinobu Inazumi, who is a director, attended 19 of the 20 meetings of the Board of Directors held following his appointment in June 2012, and provided advice and recommendations in order to ensure the adequacy and accuracy of decision-making at meetings of the Board of Directors.

Masayoshi Komatsu, who is an auditor, attended 26 of the 28 meetings of the Board of Directors and all 16 meetings of the Audit Committee held in the current fiscal year, and gave statements for ensuring the adequacy and correctness of decision-making at meetings of the Board of Directors from a specialist viewpoint as a tax accountant. Also, at meetings of the Audit Committee, she gave, as required, statements necessary for accounting systems and internal audits at the Company.

Kayoko Sato, who is an auditor, attended all 28 meetings of the Board of Directors and all 16 meetings of the Audit Committee held in the current fiscal year, and gave statements for ensuring the adequacy and correctness of decision-making at meetings of the Board of Directors. Also, at meetings of the Audit Committee, she gave, as required, statements necessary for matters such as deciding on proposed agenda items.

d. Amounts of compensation received as directors in the current fiscal year from the parent company or its subsidiaries
 The amount of compensation received by external directors and external auditors from the parent company and subsidiaries where they are also directors in the current fiscal year was 26,410 thousand yen.

4. Summary of the contents of liability limitation agreements

Not applicable

(4) Account auditors

1. Name: Nagisa & Co.
2. Amount of compensation

	Amount paid
Amount of compensation for account auditor's related to the current fiscal year	15,600 thousand yen
Total of monetary and other financial benefits to be paid to account auditors in the current fiscal year	15,600 thousand yen

Note: In the audit contract between the Company and the account auditors, there is no clear separation of amounts for auditor compensation for audits based on the Companies Act and auditor compensation for audits based on the Financial Instruments and Exchange Act, and there is no separation in practice, therefore, the amounts of compensation for account auditors for the current fiscal year shown here are totals.

3. Details of non-audit operations

Not applicable

4. Policy for decisions on the dismissal or non-reappointment of the account auditor

If the execution of the duties of the account auditors is obstructed, and if it deems is necessary to do so, the Board of Directors shall, upon obtaining agreement from the Audit Committee, or based on a request from the Audit Committee, make the purpose of a shareholder meeting to be the dismissal or non-reappointment of the account auditors.

The Audit Committee shall, if it is found that the items stipulated in Item 1, Article 340 of the Companies Act apply, based on an agreement of all members of the Audit Committee, dismiss the accounting auditors. In such a case, the auditors selected by the Accounting Committee shall report the fact of the account auditors being dismissed and the reasons for the dismissal at the first annual shareholders' meeting convened after the dismissal.

5. Summary of the contents of liability limitation agreements

Not applicable.

(5) System for ensuring the correctness of operations

The following is an overview of detailed decisions made on the system for ensuring that directors comply with laws and ordinances and the Articles of Incorporation in executing their duties, as well as the system for ensuring the appropriateness of operations of the Company.

1. System for ensuring that directors and employees comply with laws and ordinances and the Articles of Incorporation in executing their duties

The president is to repeatedly communicate, based on the management philosophy, the spirit of the management philosophy to directors, and thereby ensure that this is a prerequisite for enterprise activities that comply with laws and ordinances, as well as the Company philosophy.

2. The system of storage and management of information related to the execution of directors' duties

The president of the Company appoints a person responsible for control over the entire company in connection with the storage and management of information related to the execution of director duties, and information related to the execution of duties is recorded and stored in accordance with the document-handling regulations created by the relevant person, on paper or in electromagnetic media. The directors and auditors, due to the document handling regulations, are able to view such documents at all times.

3. Regulations related to the management of risks of loss, and other systems

The Vice President is appointed the person responsible for risk management for the Company, and for comprehensively and completely managing risks for the overall Company group. When a new risk arises, the department responsible for it is rapidly determined. The Internal Audit Department carries out audits on the risk management at each group department, and regularly reports the results thereof to the Vice President and the President, and improvement measures are discussed and decided upon at meetings of the Board of Directors.

4. System to ensure that the duties of the directors are executed efficiently

The following management systems are used to aim to increase efficiency of the execution of director duties.

- a. Setting up role authorizations and decision-making rules
- b. Setting up interim management plans by the Board of Directors, setting up results targets and budgets for each business department based on the interim management plan, and implementing result management on a monthly and quarterly basis by utilizing IT
- c. Review and implement of improvement plan by management meeting and board of directors

5. System to ensure the appropriateness of operations of the corporate group consisted of the Company's parent company and its subsidiaries

The parent company of the Company is regularly audited, and in addition to reports on such audits, the director responsible for compliance at the parent company and the director responsible for group management regularly exchange information, and keep track of compliance issues and efficiency issues .

6. Matters concerning employees who are appointed to assist in the duties of auditors, if such employees are appointed

In the case that auditors require employees to be appointed to assist in their duties, they may request the Company to appoint employees in this way regularly or on an ad hoc basis.

7. Matters related to the independence of the employees in the previous item from the directors

Persons receiving requests from auditors to help in the operations of auditors do not receive instructions from directors in relation to the execution of such operations.

8. The system for directors and employees to report to corporate auditors, and the system for making report to directors

If employees observe a significant event related to items b. or d. below, they are able to directly report this to the auditors.

- a. Matters decided at management meetings
- b. Matters that may cause significant damage to the Company
- c. Important matters for monthly management
- d. The state of internal audits and important matters related to risk management
- e. Serious violations of laws, ordinances and the Articles of Incorporation
- f. Status of notifications to the compliance hotline, and details thereof
- g. Other important compliance matters

9. System to ensure that the audits by auditors are carried out effectively

In order to ensure the effectiveness of auditors, a contract has been signed with a consulting lawyer, and opportunities are secured for receiving advice related to auditor operations

10. System to ensure the appropriateness of financial reporting

In order to ensure the reliability and appropriateness of financial reporting, and an internal control system related to financial reporting, as stipulated in the Financial Instruments and Exchange Act, has been built, its effectiveness is evaluated and it is run with a system for reporting.

11. The fundamental concept for excluding antisocial forces, and means of achieving it

The Company has no relationships with antisocial forces, and takes a firm stand in relation to antisocial forces that threaten the order and security of society. Also, if there is contact with antisocial forces, the Company has a system that can promptly makes reports to and consults with the local police and a consulting lawyer. Further, at the time of initiating transactions with counterparties, the Company by uses an external organization to check that they are not antisocial forces.

Balance Sheet
(As of March 31, 2013)

(Units: Thou. yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	2,258,574	Current liabilities	2,522,727
Cash and deposits	1,367,297	Accounts payable-trade	451,315
Notes receivable-trade	12,430	Short-term loans payable	
Accounts receivable-trade	253,005	to subsidiaries and	
Deposit sales	55,579	affiliates	624,000
Merchandise	10,142	Lease obligations	12,817
Raw materials and supplies	112,398	Accounts payable-other	412,800
Prepaid expenses	210,364	Accrued expenses	392,306
Deferred tax assets	206,278	Income taxes payable	100,950
Other	35,468	Accrued consumption	
Allowance for doubtful accounts	(4,390)	taxes	6,244
Noncurrent assets	7,766,383	Advances received	413,071
Tangible fixed assets	4,157,942	Deposits received	37,070
Buildings	1,980,390	Unearned revenue	748
Structures, net	123,252	Provision for bonuses	53,919
Machinery and equipment	17,000	Other	17,482
Vehicles, net	82	Noncurrent liabilities	2,632,944
Tools, furniture and fixtures	86,561	Bonds with subscription	
Land	1,942,825	rights to shares	1,506,122
Lease assets	7,830	Lease obligations	8,029
Intangible assets	265,127	Lease and guarantee	
Goodwill	199,257	deposits	501,884
Leasehold rights	26,179	Provision for retirement	
Software	10,237	benefits	52,943
Other	29,452	Asset retirement	
Investments and other assets	3,343,312	obligations	536,854
Investment securities	10,000	Other	27,110
Investments in capital	4,840	Total liabilities	5,155,672
Long-term loans receivable	5,330	Net assets	
Claims in bankruptcy	128,364	Shareholders' equity	4,869,285
Long-term prepaid expenses	49,168	Capital stock	1,785,195
Lease and guarantee deposits	2,662,010	Capital surplus	2,675,617
Deferred tax assets	603,019	Legal capital reserve	1,848,494
Others	44,495	Other capital surplus	827,123
Allowance for doubtful accounts	(163,915)	Retained earnings	408,591
		Legal retained earnings	78,085
		Other retained earnings	330,507
		General reserve	860,000
		Retained earnings	
		brought forward	(529,493)
		Treasury stock	(120)

		Total net assets	4,869,285
Total assets	10,024,957	Total liabilities and net assets	10,024,957

Note: Monetary amounts are displayed to the nearest unit.

Income Statement(From April 1, 2012
to March 31, 2013)

(Units: Thou. yen)

Item	Amount
Sales	15,503,770
Cost of sales	5,427,527
Gross profit	10,076,242
Selling, general and administrative expenses	9,301,497
Operating income	774,745
Non-operating income	51,366
Interest and dividend income	8,017
Amortization of negative goodwill	16,069
Miscellaneous income	27,278
Non-operating expenses	96,048
Interest expenses	51,553
Interest on bonds	10,314
Guarantee commissions	15,803
Miscellaneous losses	18,377
Ordinary income	730,063
Extraordinary income	41,000
Compensations for transfer	41,000
Extraordinary losses	492,735
Losses on retirement of noncurrent assets	1,298
Losses on valuation of investment securities	416
Impairment losses	315,686
Losses on closing stores	41,527
Loss in businesses of affiliates	2,997
Surcharge	130,808
Income before income taxes	278,327
Corporate, residential, and business taxes	106,709
Adjustments to corporate and other taxes	43,644
Net income for the period	127,973

Note: Monetary amounts are displayed to the nearest unit

Statement of Changes in Shareholder Equity

(From April 1, 2012
to March 31, 2013)

(Units: Thou. yen)

	Shareholders' Equity										Total net assets
	Capital stock	Capital Surplus			Retained Earnings				Treasury stock	Total shareholders' equity	
		Legal capital reserve	Other capital surplus	Total other capital surplus	Legal retained earnings	Other Retained Earnings		Total retained earnings			
						General reserve	Retained earnings brought forward				
Balance on Apr 01, 2012	1,785,195	1,848,494	827,123	2,675,617	78,085	860,000	(359,327)	578,757	(92)	5,039,478	5,039,478
Accumulated impact of corrected errors				—			(298,139)	(298,139)		(298,139)	(298,139)
Retained earnings brought forward as restated	1,785,195	1,848,494	827,123	2,675,617	78,085	860,000	(657,467)	280,617	(92)	4,741,338	4,741,338
Changes within the fiscal year				—				—		—	—
Net income				—			127,973	127,973		127,973	127,973
Purchase of treasury stock				—				—	(27)	(27)	(27)
Changes within the fiscal year for items other than shareholders' equity (net)				—				—		—	—
Total change within the fiscal year	—	—	—	—	—	—	127,973	127,973	(27)	127,946	127,946
Net income	1,785,195	1,848,494	827,123	2,675,617	78,085	860,000	(529,493)	408,591	(120)	4,869,285	4,869,285

Note: Monetary amounts are displayed to the nearest unit

Individual notes to the accounts

(Notes related to important accounting policies)

1. Asset valuation criteria and valuation methods

(1) Valuation criteria and valuation methods for marketable securities

Other marketable securities

-Those with market prices

A mark-to-market method is adopted based on the market price on the date of settlement (differences in valuations are posted to shareholders' equity, and cost prices are calculated using the moving average method).

-Those without market prices

The at-cost method is applied based on the moving average.

(2) Valuation criteria and valuation method for inventories

1. Merchandise

Merchandise Division

The at-cost method is applied using the moving average (with book value write-downs due to decreased profitability).

Sales Stores

The at-cost method is applied based on the final purchasing cost method (with book value write-downs due to decreased profitability).

2. Raw materials

The at-cost method is applied based on the gross average method (with book value write-downs due to decreased profitability). However, in the Izakaya Division, the at-cost method is applied based on the final purchasing cost method (with book value write-downs due to decreased profitability).

3. Stored goods

The at-cost method is applied based on the final purchasing cost method (with book value write-downs due to decreased profitability).

2. Method of depreciation of fixed assets

(1) Tangible fixed assets
(excluding lease assets)

The fixed-rate method is used.

However, the straight-line method is used for buildings (excluding building fixtures) acquired on or after April 1, 1998.

Buildings 2 to 50 years

Machinery and equipment 2 to 9 years

Also, the even depreciation method over five years from the year after the completion of depreciation of the depreciable amount is applied for assets acquired on or prior to March 31, 2007.

(2) Intangible assets

The straight-line method is used.

(excluding lease assets)

However, the software used by the Company itself is depreciated based on the period for which it can be used within the Company (five years).

Also, for certain leased land, the business-use regular lease land rights rental period is taken to be the asset life.

Goodwill is mainly evenly amortized over 10 years.

(3) Lease assets

Lease assets related to ownership-transfer finance lease transactions

The straight-line method is employed, reducing the remaining balance to zero, whereby the lease period is taken to be the asset life.

Also, with ownership-transfer financial lease transactions, lease transactions with lease transaction commencement dates on or before March 31, 2008 are treated based on the method for ordinary rental transactions.

3. Method of treating deferred assets

Corporate bond issuance expense

The entire amount is treated as an expense at the time of payment.

4. Standards for conversion of foreign currency denominated assets and liabilities to Japanese yen

Foreign currency denominated assets and liabilities are converted to yen using the spot market rate on the last day of the period, and translation differences are included in the income statement.

5. Standards for recognizing allowances

(1) Allowance for doubtful accounts

This amount is recognized in the amount of anticipated unrecoverable of claims for which there is particular concern over bad debt, taking into consideration the possibility of recovery, according to the loan loss rate for general claims, and in order to be prepared for losses due to bad debt.

(2) Allowance for retirement benefits

This is recognized based on an estimate of the retirement benefit obligations at the date of termination of the retirement benefit system (March 31, 2006), in order to be prepared for the retirement of employees.

Also, "Guidance on Accounting for Transfers between Retirement Benefit Plans (Practical Measure Report No. 2)" is applied to unpaid retirement amounts within the retirement lump-sum payment system, and going forward, this will be recognized as "Allowance for retirement benefits".

(3) Allowance for directors' retirement benefits

In order to be prepared to pay for directors' retirement benefits, the necessary amounts are recognized based on internal regulations. Also, since there were no people in scope for the stipulations of the internal regulations within the current fiscal year, there has been no relevant amount recognized.

(4) Allowance for bonuses

In order to be prepared to pay for employee bonuses, the amount recognized is the cost of the amount expected to be paid which belongs to the current fiscal year.

(5) Allowance for losses upon store closures

In order to be prepared for losses occurring accompanying store closures, this is recognized in the amount of reasonably expected store closure-related losses.

Also, since there were no expected losses due to store closures in the current fiscal year, there has been no relevant amount recognized.

6. Other basic items in creating the financial statements

Treatment of consumption taxes

Amounts are treated excluding consumption and local consumption taxes.

(Notes related to changes in accounting policies)

Change in the method of depreciation

Accompanying the revision of the Corporation Tax Act, the Company changed its method of depreciation as of the current fiscal year for fixed assets acquired on or after April 1, 2012, based on the Corporation Tax Act as revised.

Due to the relevant change, there has been an increase to each of the operating income, ordinary income, and pre-tax income by 7,217 thousand yen in the current fiscal year .

(Notes on corrections to errors)

1. Contents of errors

On April 1, 2009, the Company acquired shares of Global Act Co., Ltd., formerly an affiliated company, and it became a consolidated subsidiary. In doing so, the Company recognized goodwill through consolidation based on the full market value method, with the above date being the date of acquisition of control. In the consolidation, questions were raised by the Securities and Exchange Surveillance Commission, an investigation team consisting of specialist lawyers and Certified Public Accountants external to the Company was established, and an investigation was performed. The results of the investigation reported that, considering matters such as prior treatment at the time of consolidation as a consolidated subsidiary, and the amount of equity in the capital surplus during the period in which the relevant company was an affiliated company, consolidation with the recognition of goodwill would be favorable, and adjustments were made to prior years in the calculation of the amounts of goodwill and goodwill-related profits and losses (amortization and impairment losses), and the amount of retained earnings at the beginning of the period was reduced.

2. Monetary impact on net assets at the beginning of the fiscal year

Due to correction of the relevant error, retained earnings at the beginning of the current fiscal year will decrease by 298,139 thousand yen, so shareholders' equity and net asset amounts were reduced by the same amount.

(Notes related to the balance sheet)

1. Accumulated depreciation of tangible fixed assets 7,531,076 thousand yen

2. Notes maturing on the last day of the period

As for the accounting treatment of notes maturing on the last day of the period, these are settled on the day of note clearing. Additionally, since the relevant day at the end of the period was a nonbusiness day for financial institutions, notes maturing at the end of the following period are included in the balance at the end of the period.

Notes receivable 9,830 thousand yen

3. Financial assets and financial liabilities in relation to affiliated companies are as follows.

Monetary claims 54,973 thousand yen

Monetary liabilities 653,120 thousand yen

(Notes related to the income statement)

1. Transactions with affiliated companies

(1) Balance of sales transactions 72,583 thousand yen

(2) Balance of non-sale transactions 641,449 thousand yen

2. Impairment losses

The Company recognized impairment losses related to the following asset groups within the current fiscal year .

Location	Main uses	Type
Tohoku region	Store assets A total of 4 stores	Buildings, structures and others
Kanto region	Store assets A total of 15 stores	Buildings, structures, goodwill and others
Hokuriku region	Store assets A total of 1 stores	Buildings, structures and others
Hokkaido region	Store assets A total of 2 stores	Buildings, structures and others
Other	Sublease/idle assets	Land

Individual notes to the accounts

The Company, in principle, groups leased fixed assets by store, and rented fixed assets by property. If there are continuing losses, or expected continued losses, in operations of stores or rental assets, the book value of the asset group will be reduced to the recoverable value; for idle assets, the book value of the asset group that is not expected to be used going forwards is reduced to the recoverable value, and an extraordinary loss was recognized for such reductions (315,686 thousand yen). The breakdown of this value was: buildings: 124,822 thousand yen, structures: 7,350 thousand yen, land: 135,209 thousand yen, goodwill: 33,204 thousand yen, and other: 15,099 thousand yen. Also, the recoverable value of the relevant asset group is mainly measured using the usage value and applying a discount rate of 6.16%; however, the recoverable value of idle assets is the net sale value calculated based on the fixed asset tax appraisal value.

3. Affiliated company business losses

Amongst losses at the businesses of affiliated companies, losses borne by the Company are recognized.

(Notes related to this statement of changes in shareholder equity)

1. Items related to the total number of issued shares

Type of shares	Number of shares at the beginning	Number of shares added in the	Number of shares reduced in the	Number of shares at the end of the

	of the current fiscal year (thousands)	current fiscal year (thousands)	current fiscal year (thousands)	current fiscal year (thousands)
Ordinary shares	74,364	-	-	74,364

2. Items on the number of treasury shares

Type of shares	Number of shares at the beginning of the current fiscal year (thousands)	Number of shares added in the current fiscal year (thousands)	Number of shares reduced in the current fiscal year (thousands)	Number of shares at the end of the current fiscal year (thousands)
Ordinary shares	1	0	-	1

Note: The increase in the number of ordinary treasury shares by zero thousand is due to an increase through purchases of odd-lot shares.

3. Dividends from surplus

(1) The amount of dividends paid

Not applicable

(2) Dividends with a record date in the current fiscal year and an effective date in the next fiscal year

Not applicable

4. Items relating to share options on the last day of the current fiscal year (excluding those for which the initial day of the right exercise period has not arrived)

Breakdown of share options	Type of shares subject to share options	Number of shares subject to share options (thousands)			
		At the beginning of the current fiscal year	Added in the current fiscal year	Reduced in the current fiscal year	At the end of the current fiscal year
1 st convertible bonds	Ordinary shares	3,263	171	141	3,293
Total	-	3,263	171	141	3,293

Note: The addition of the 1st convertible bonds in the current fiscal year is an addition accompanying an adjustment of the exercise price. Also, the reduction in the current fiscal year is due to cancellation.

(Notes related to tax effect accounting)

Breakdown by main reason for the occurrence of deferred tax assets and deferred tax liabilities

Deferred tax assets (current)

Excess allowance for doubtful accounts	1,666 thousand yen
Accrued business tax	10,511 thousand yen
Accrued business office tax	6,489 thousand yen
Excess provision for bonuses	20,467 thousand yen
Advances received	137,929 thousand yen
Loss brought forward from the previous term	33,297 thousand yen
Other	3,389 thousand yen

Subtotal	213,752 thousand yen
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Valuation allowance	(7,473 thousand yen)
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Total deferred tax assets (current)	206,278 thousand yen
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Deferred tax assets (fixed)

Excess allowance for doubtful accounts	58,339 thousand yen
Impairment losses	661,677 thousand yen
Excess one-off amortized asset amortization	1,398 thousand yen
Excess provision for retirement benefits	18,842 thousand yen
Asset retirement obligations	191,066 thousand yen
Loss brought forward from the previous term	1,706,196 thousand yen
Other	31,857 thousand yen

Subtotal	2,669,378 thousand yen
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Valuation allowance	(2,022,219 thousand yen)
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Total deferred tax assets (fixed)	647,159 thousand yen
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Deferred tax liabilities (fixed)

Merger acceptance asset appraisal profit	(4,435 thousand yen)
Asset retirement obligations (un-depreciated balance)	(39,704 thousand yen)

Total deferred tax liabilities (fixed)	(44,139 thousand yen)
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Net deferred tax assets (fixed)	603,019 thousand yen
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(Notes related to fixed assets used through leases)

Certain store facilities are used through non-ownership-transfer finance lease contracts. Also, within non-ownership-transfer finance lease transactions, those with lease transaction commencement dates on or before March 31, 2008 are treated using the normal rental transaction method.

(Notes related to financial products)

1. Items related to financial products

(1) Policy for financial products

The Company is engaged in business, mainly in the operation of restaurants and schools, and it procures required funds (mainly through bank borrowings and issuing corporate bonds) with reference to capital investment plans for this business.

Temporary surplus capital is invested in highly safe financial assets, and short-term capital is procured through bank borrowings.

(2) Details of financial products and the risks thereof

Notes receivable and accounts receivable, which are operating receivables, are exposed to client credit risk. Investments in marketable securities are shares, and are exposed to risks of fluctuations in market prices.

Also, long-term loans are given to franchisees, and these are subject to the credit risk of the borrowers.

Deposits and guarantee deposits are mainly those accompanying the rental of land and buildings for operating stores, and these are exposed to the credit risks of the lessors.

Accounts payable, which is an operating liability, are mostly payable within one month.

Borrowings, corporate bonds, convertible bonds, and lease obligations related to financial lease transactions are mainly for the purpose of procuring the funds required for capital investment, and their longest redemption date is seven years after the day of settlement. Some of these have variable interest rates, and are therefore exposed to interest rate fluctuations.

(3) System for managing risk connected with financial products

- Credit risk (risk connected with breaches of contracts by counterparties) management

In line with credit management procedures, each department performs regular monitoring of major counterparties in terms of operational receivables and long-term loans, and in addition to managing the term and balance by transaction counterparty, they aim to rapidly track and reduce concerns over collection due to a deterioration financial condition.

-Market risk (foreign exchange and interest rate fluctuation risk) management

The market prices of investments in marketable securities and the financial status of the issuers thereof (counterparty enterprises) are regularly checked, and holdings are continuously reviewed, taking into account the relationship with the counterparty enterprise.

-Management of liquidity risk related to fund procurement (risks of not being able to make payments on the scheduled date of payment)

Liquidity risk (risk that payment cannot be made on the payment date) is managed by the creation and updating of funding plans by departments responsible as required, based on reports from each department.

(4) Supplementary explanations on items related to market prices of financial products

In applying market prices to financial products, in addition to values based on market prices, if there is no market price then a rationally calculated value is used. Since variable factors are included in the calculation of the relevant values, the relevant values may change if different prerequisite conditions are adopted.

2. Items related to market prices of financial products

Differences in market values and values stated on the balance sheet as of March 31, 2013 are as follows. Also, items for which the current value is extremely difficult to ascertain are not included (See Note 2.)

	Balance sheet reported amounts (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
(1) Cash and deposits	1,367,297	1,367,297	—
(2) Notes receivable-trade	12,430	12,430	—
(3) Accounts receivable-trade	253,005		
Allowance for doubtful accounts (*)	(1,996)		
	251,009	251,009	—
(4) Investment securities	—	—	—
(5) Other current assets (short-term loans receivable) and long-term loans receivable	7,371	6,148	(1,222)
(6) Lease and guarantee deposits	582,966	585,665	2,698
Total assets	2,221,075	2,222,551	1,476
(1) Accounts payable-trade	451,315	451,315	—
(2) Short-term loans payable to subsidiaries and affiliates	624,000	624,000	—
(3) Lease obligations	20,847	20,759	(87)
(4) Bonds with subscription rights to shares	1,506,122	1,520,340	14,218
(5) Lease and guarantee deposits	44,252	44,114	(137)
Total liabilities	2,646,536	2,660,529	13,993

*: The allowance for doubtful accounts, which is separately recognized from the Accounts Receivable, has been deducted.

Notes: 1. Items related to the method of calculating the market price of financial products, marketable securities, and derivative transactions

Assets

(1) Cash and deposits, (2) Notes receivable, and (3) Accounts receivable

As the above are settled in the short-term, and as their market values are close to the book values, the relevant book values apply.

(4) Investments in marketable securities

The market value of the above depends on the price of stocks at the exchange.

(5) Other current assets (short-term loans) and long-term loans

The current value of other current assets (short-term loans) and long-term loans is calculated using the current value of the future cash flow of such loans, categorized into defined periods, multiplied by the interest rate on Japanese government bonds plus an appropriately indexed credit spread for each category of credit risk in terms of credit management.

(6) Deposits and guarantee deposits

The current value of deposits and guarantee deposits is calculated using the current value of future cash flow, categorized into defined periods, discounted using an appropriate index of the interest rate of Japanese government bond yields.

Liabilities

(1) Accounts payable and (2) Short-term borrowings from related companies

As the above are settled in the short-term, and as their market values are close to the book values, the relevant book values apply.

(3) Lease liabilities

The current value of lease liabilities is calculated using the current value of future cash flow, categorized into defined periods, discounted using an appropriate index of Japanese government bond yields.

(4) Convertible bonds

The total of the principal and interest is calculated using the present value discounted using an interest rate for the case of a similarly issued convertible bond.

(5) Received deposits and security deposits

The current value of received deposits and security deposits is calculated using the present value of future cash flow, categorized into defined periods, and discounted using an appropriate index of Japanese government bond yields.

2. Financial products for which it is deemed to be extremely difficult to determine their current value

Category	Amount on balance sheet (thousand yen)
Unlisted securities	
Investment in marketable securities	10,000
Deposits and security deposits	2,079,043
Received deposits and security deposits	457,632

Since unlisted securities have no market values, and finding their current value is deemed extremely difficult to, they are not included in (4) Investment in marketable securities.

Also, for some deposits and security deposits and received deposits and security deposits it is not possible to rationally estimate the repayment time, and since understanding their present value is deemed extremely difficult, they are not included in (6), Lease and guarantee deposits and (5) Lease and guarantee deposits.

(Notes related to rental real estate)

The Company has rental stores and office buildings (including land) in Tokyo. Real estate related profit and loss for such rentals in the period ending March 2013 was 14,751 thousand yen (rental income is recognized in sales, and the main rental costs are recognized in the cost of goods sold).

Balance sheet values for relevant rental real estate, increases and decreases in the current fiscal year, and current values are as follows.

Balance sheet values (thousand yen)	Current value at the
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Balance at the start of the current fiscal year	Increase/decrease in the current fiscal year	Balance at the end of the current fiscal year	end of the current fiscal year (thousand yen)
321,182	(5,038)	316,143	272,643

Note: 1. Balance sheet values are shown as acquisition costs less accumulation depreciation and accumulation impairment losses.

2. Increase/decrease in the current fiscal year is the depreciation expense (5,038 thousand yen)

3. The current value at the end of the current fiscal year is a value determined by the Company based on a real estate survey report by a real estate surveyor external to the Company.

(Notes related to earnings with the equity method)

Investment in affiliated companies (thousand yen)	-
Investments in the case that the equity method is applied (thousand yen)	(30,500)
Investment losses (indicated in parentheses) if the equity method is applied (thousand yen)	(2,997)

Notes: 1. The value of investment in affiliated companies is after recognizing a loss on appraisal of an affiliated company investment of 20,000 thousand yen due to reductions in prior years.

2. "Investment losses (indicated in parentheses) if the equity method is applied" includes 2,997 thousand yen of affiliated company business losses.

(Notes related to asset retirement obligations)

Items recognized the balance sheet from amongst asset retirement obligations

1. Overview of relevant asset retirement obligations

Real estate rental contracts for stores and schools, and for school sites, are accompanied by obligations to return them to their original condition.

2. Method of determining the amounts of asset retirement obligations

The amount of asset retirement obligations is determined by estimating the asset life of relevant buildings to be the period for which they are expected to be used, and it by using a discount rate between 0.232% and 2.293%.

3. Reduction in the amount of relevant asset retirement obligations in the current fiscal year

Balance at the start of the year	541,810	thousand
yen		
Increase accompanying tangible fixed asset acquisitions	18,736	
Amount of adjustment with the passage of time	10,669	
Amount of reduction in executing asset retirement obligations	(21,959)	
Transfers for exemptions from performance obligations	(12,401)	
Balance at the end of the period	536,854	

(Notes related to transactions with related parties)

1. Parent company and major corporate shareholders

Type	Company name	Location	Capital or investments (thousand yen)	Description of business or industry	Proportion of voting rights held (held by others) (%)	Relationship with related party	Details of transactions (note 1)	Transaction amount (thousand yen)	Item	Balance at end of period (thousand yen)
Parent company	Gcommunications Co., Ltd.	Kita-ku Nagoya City	5,254,010	Group holding company, consulting business	(held in the Company) 44.34	Advice on business operations	Provision to the Company of debt guarantees and collateral in relation to debt of the Company from a bank (Note 2.1)			
							Guarantee fees and collateral provision fees in relation to the above transactions (Note 2.2)	14,998		
							Borrowing funds (Note 2.3)	624,000	Short-term loans payable to subsidiaries and affiliates	624,000

Notes:

1. The above transaction amounts do not include consumption taxes, and the balance at the end of the year includes consumption taxes.
2. Transaction conditions and policy for deciding transaction conditions:
 - (1) Debt guarantees have been received for some loans from the Company's financial institutions; however, since they were repaid on March 29, there are no transaction amounts.
 - (2) The condition for guarantee fees is an annual guarantee fee of 1.2% for guaranteed debt balances, and a collateral provision fee of 1.5% per year is paid on amounts with collateral.
 - (3) Interest rates for borrowing funds are decided rationally after considering market interest rates. Also, no collateral is pledged.

2. Sister companies

Type	Company name	Location	Capital or investments (thousand yen)	Description of business or industry	Proportion of voting rights held (held by others) (%)	Relationship with related party	Details of transactions (note 1)	Transaction amount (thousand yen)	Item	Balance at end of period (thousand yen)
Subsidiary of parent company	B-Supply Co., Ltd.	Toshima-ku, Tokyo	50,000	Food trading company	None	Purchasing of store food	Food purchasing (Note 2)	2,566,339	Accounts payable	246,159

Notes:

1. The above transaction amounts do not include consumption taxes, and the balance at the end of the year includes consumption taxes.
2. Transaction conditions and policy for deciding transaction conditions:

Transaction conditions for prices, etc. are decided based on negotiations, with reference to price trends in the market.

3. Directors and important individual shareholders

Type	Company name	Location	Capital or investments (thousand yen)	Description of business or industry	Proportion of voting rights held (held by others) (%)	Relationship with related party	Details of transactions (note 1)	Transaction amount (thousand yen)	Item	Balance at end of period (thousand yen)
Companies with voting rights that are majority-owned by directors and their close relatives (including subsidiaries of the Company)	Jibun Mirai Associe Co., Ltd. (Note 2)	Chuo-ku, Tokyo	80,000	English conversation school and operations related to preparatory schools	None	Support in providing instructions in relation to member schools	Sales (operation outsourcing fees related to education business) (Note 3-1)	705,016	Accounts receivable	100,118
Companies with voting rights that are majority-owned by directors and their close relatives (including subsidiaries of the Company)	Central Design Co., Ltd. (Note 2)	Naka-ku, Nagoya-shi	30,000	Production of variety of advertisement, design of premises, building of premises	None	Purchase of equipment for shop and school	Purchase of premises and school building (Note 3-2)	31,437	Accounts payable	1,593

							Purchase of consumable goods for shop and school (note 3-2)	66,215	Accrued amount payable	14,340
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Notes:

1. The above transaction amounts do not include consumption taxes.
2. Masaki Inayoshi, the brother of Fumiyasu Inayoshi, who is Representative Director of the Company, owns the majority of the voting rights of Jibun Mirai Associe Co. Ltd.
3. Transaction conditions and policy for deciding transaction conditions
 - (1) Performing outsourced operations for some of the schools of the English conversation class business, the preparatory school business run by Jibun Mirai Associe Co. Ltd
An appropriate amount for the operation outsourcing fee is decided in discussions between the two companies, after considering aspects such as costs.
 - (2) The Company purchased consumable goods, etc. for its shop and school of its direct sales and franchise chain business. Transaction conditions for prices, etc. are decided based on negotiations, with reference to price trends in the market.

4. Notes related to the parent company
Parent company information
G.communications Co., Ltd. (unlisted)
Cook Innoventure Co., Ltd. (unlisted)

(Notes on per-share items)

1.Net assets per share	65.48 yen
2.Net income per share for the period	1.72 yen

(Notes related to important subsequent events)

1. At the meeting of the Board of Directors held on May 15, 2013, the Company, G.networks Co., Ltd. (hereinafter referred to as G.networks), and SAKAI CO., LTD. (hereinafter referred to as SAKAI) handed over each of their food and drink store operation businesses through a joint incorporation-type company split with an effective date of August 1, 2013 to Cook Operation Co., Ltd. (a newly established company, hereinafter referred to as Cook Operation).

(1) Purpose of the joint incorporation-type company split

In order to correctly understand consumer mindset and consumer lifestyle changes and trends, to correctly understand the situation of competing stores, and to flexibly respond to changes in the environment, rights related to directly-managed food and drink store businesses from amongst the food and drink businesses operated by the three merging companies were transferred through the present split to a business operating subsidiary which was established, with the aim of dynamic and flexible decision-making and performance of operations.

(2) Method of the joint incorporation-type company split

In this joint incorporation-type company split, the three merging companies were spun off and they jointly established Cook Operation as a new company.

(3) Overview of the joint incorporation-type company split company

Trading name	Cook Operation Co., Ltd.
Location of head office	Kita-ku, Nagoya City
Name of representatives	Takafumi Akutsu, Director Fumiyasu Inayoshi, Director
Capital	50 million yen
Details of business	Operating restaurants

(4) Overview of accounting treatment

It is anticipated that the present split, under accounting standards related to corporate mergers, will be deemed a transaction under common control because the parent company of all three companies is G.communications.

2. At a meeting of the Board of Directors of the Company on May 15, 2013, the Company, G.networks and SAKAI decided to implement an absorption-type merger with the Company as a continuing entity, with an effective date of August 1 of the same year. An overview of the relevant merger is given below.

(1) Purpose of the merger

The purpose of the merger, through integrating the operations of the Company, G.networks, and SAKAI, is to aim to proceed with the integration of transaction relationships, including nationwide purchasing and logistics, to build an integrated operation and management system, to improve competitiveness by centralizing management resources and increasing efficiency, and to expand sales and improve profitability.

(2) Method of merger

The Company shall continue as an ongoing entity, and G.networks and SAKAI will no longer exist.

(3) Basis for determining the details of allocation related to the manager

In order to ensure fairness and adequacy, each of the three companies requested a different third-party calculation organization to determine the merger ratio, and the Company selected Albaace Securities Co., Ltd., G.networks selected Frontier Management Inc., and SAKAI selected Matsuyama Certified Public Accountants. In determining the merger ratio, since the ordinary shares of the three companies all depend on stock market prices, in addition to using a share price average method, a DCF method was used.

(4) Overview of the Company to be the surviving company from the merger

Trading name	G.taste Co., Ltd.
Location of head office	Miyagino-ku, Sendai City
Name of representatives	Hideo Sugimoto, Representative Director and President (scheduled to assume on August 1, 2013) Fumiyasu Inayoshi, Representative Director and Vice President (current Representative Director and President)
Capital	1,785 million yen (as of the end of March 2013)
Details of business	Direct operation of restaurant and franchises, and education business (as of the end of March 2013)

(5) Overview of accounting treatment

It is anticipated that, in relation to accounting standards related to the Company integration, no goodwill will arise in the present matter, because it is a transaction under common control since the parent company of all three companies is G.communications Co., Ltd.

3. At the meeting of the Board of Directors held on May 15, 2013, a decision was made to reduce the capital and capital reserve with an effective date of August 1 of the same year. An overview of the relevant reduction is given below.

(1) Purpose of the reduction in the amount of capital and the capital reserve

The Company is aiming for sustainable growth and to maximize its corporate value through a combination of the management resources of the three companies, by a merger with G.networks CO., LTD. and SAKAI CO., LTD. on August 1, 2013. The purpose of this merger is to maintain flexibility and mobility of the Company's capital policy after the merger.

(2) Overview of the reduction of capital

-The amount of capital to be reduced

The capital shall be reduced by 1,685,195,850 yen from 1,785,195,850 yen to 100,000,000 yen.

-Method of capital reduction

The total reduction in capital will be transferred to other capital surplus after reducing the capital, as per stipulations given in Paragraph 1, Article 447 of the Companies Act.

(3) An overview of capital reserve reduction

-The amount of capital reserve to be reduced

The capital reserve shall be reduced by 1,748,494,250 yen, from 1,848,494,250 yen to 100,000,000 yen.

-Method of capital reserve reduction

The total reduction in capital reserve will be transferred to other capital surplus after reducing the capital, as per stipulations given in Paragraph 1, Article 448 of the Companies Act.

(4) Schedule for capital reduction

Date of decision by the Board of Directors	May 15, 2013
Date of decision at the annual shareholders' meeting captured	June 26, 2013 (scheduled)
Disclosure of objections from creditors	June 28, 2013 (scheduled)
Final date for submissions of objections from creditors	July 31, 2013 (scheduled)
Effective date	August 1, 2013 (scheduled)

(5) Future outlook

The agenda items in relation to the reduction of capital and the capital reserve shall come into effect with the assumption that they are approved and passed at an annual shareholders' meeting, and the merger between the Company, G.networks, and SAKAI will come into effect. Additionally, transfer processing shall be adopted, counting Capital and Capital reserve as Other capital surplus in the Net assets section, and there will be no changes in the Company's Net asset amount; therefore, the reduction in the relevant capital and capital surplus will have no impact on operating results.

Auditor report on the financial statements
Independent Auditor Report

May 20, 2013

To: The Board of Directors,
G.taste Co., Ltd.

Nagisa & Co.
Representative employee
Operation execution employee

Certified Public Accountant Hiro Nishii [Seal]
Certified Public Accountant Yutaka Ohira [Seal]

We audited the financial statements of the 54th fiscal year of G.taste Co., Ltd., from April 1, 2012 to March 31, 2013, namely, the balance sheet, income statement, and statement of changes in shareholder equity as well as the individual notes to the accounts and accompanying detailed documents, as per Item 1, Paragraph 2, Article 436 of the Companies Act.

Responsibilities of management in relation to the financial statements

Management is responsible for creating financial statements and accompanying detailed documents, and appropriately disclosing them, as per generally accepted accounting practices in Japan. This responsibility includes establishment and operation of internal control systems, which management determines to be necessary, in order to create and appropriately disclose financial statements and accompanying detailed documents that are free of serious misrepresentations due falsification or errors.

Responsibilities of auditors

We are responsible for stating our opinion, from an independent point of view, in relation to financial statements and their accompanying detailed documents, based on an audit performed by us. We carried out an audit as per generally accepted accounting standards in Japan. The audit standards require the creation of an audit plan and the implementation of an audit based on it, in order to achieve reasonable certainty that there are no serious misrepresentations in the financial statements or their accompanying detailed documents.

Within the audit, procedures for obtaining audit evidence in relation to financial amounts and the disclosure of financial statements and their accompanying detailed documents are performed. The audit procedures are selected and applied based on an evaluation of the risks of serious misrepresentations in financial statements and their accompanying detailed documents due to falsification or error, based on our judgment. The purpose of the audit is not to state opinions on the validity of internal controls; however, we investigate internal controls in relation to the creation and appropriate disclosure of financial statements and their accompanying detailed documents, in order to set up appropriate audit procedures according to the situation when implementing risk assessments. Moreover, the audit includes consideration of the disclosure of financial statements and their accompanying detailed documents overall, including an assessment of the accounting policies and its method of application by management, as well as an evaluation of the estimates performed by management.

We judged that we have obtained sufficient and appropriate audit evidence which can form the basis of stating an opinion.

Auditors' opinion

The present auditors believe that the above mentioned financial statements and their accompanying detailed documents are in compliance with generally accepted accounting standards in Japan, and appropriately disclose all important points on assets and profit and loss in the period relevant to the current financial statements and their accompanying detailed documents.

Points to be emphasized

1. As stated in the points to note in relation to error correction, the Company has corrected the balance of retained earnings at the start of the relevant period.
2. As stated in the Notes on important subsequent events, the Company, at a meeting of its Board of Directors held on May 15, 2013, decided to hand over together with G.networks CO., LTD. and SAKAI CO., LTD., each of their food and drink store operation businesses to Cook Operation Co.,

Ltd. through a joint incorporation-type company split, with an effective date of August 1 of the same year.

3. As stated in the Notes on important subsequent events, the Company, at a meeting of its Board of Directors held on May 15, 2013, decided to enter into an absorption-type merger, in which the Company will be the surviving entity, with G.networks and SAKAI, with an effective date of August 1 of the same year.

4. As stated in the Notes on important subsequent events, the Company, at a meeting of its Board of Directors held on May 15, 2013, decided to reduce the amount of capital and capital reserve, with an effective date of August 1 of the same year.

None of the above items shall have an impact on the conclusions of the present audit firm.

Conflicts of interest

There are no conflicts of interest between the Company and the present audit firm or with its operation execution employees requiring disclosure as per the stipulations of the Certified Public Accountant Law.

End

Audit report from the Audit Committee

Audit Report

The present Audit Committee created the present audit report upon deliberation based on an audit report created by each auditor concerning the execution of board member duties for the 54th fiscal year of the Company, from April 1, 2012 to March 31, 2013, as per the following report.

1. Method of audit performed by auditors and the Audit Committee, and the details thereof

The Audit Committee decided the audit policy and the allocation of duties, received reports from each auditor on the state of audit implementation and the results thereof, received reports from directors and an accounting auditor on the state of the performance of duties, and sought explanations as required.

Each auditor communicated with directors, the Internal Audit Department, and other employees, as per the standards of audits carried out by auditors as stipulated by the Audit Committee, and by following the audit policy and the allocation of duties; worked on collecting information and improving the audit environment; attended meetings of the Board of Directors and other important meetings; received reports from the Board of Directors and other employees on the state of the performance of duties; sought explanations as required; viewed important settlement documents and others; and investigated operations and assets at the head office and other major offices.

Moreover, the Audit Committee monitored and validated the details of decisions made at meetings of the Board of Directors in relation to the establishment of systems as per Paragraphs 1 and 3, Article 100 of the Ordinance on Implementation of the Companies Act, and monitored and validated systems (internal control systems) which have been established based on such decisions, based on the understanding that these were required for this system for ensuring that directors comply with laws and ordinances as well as the Articles of Incorporation in performing their duties, as well as ensuring the appropriateness of other operations of the corporation.

Based on the above methods, we investigated the annual report and its accompanying detailed documents for the current fiscal year .

Further, we monitored and validated whether accounting auditors maintained their independence, and whether they carried out appropriate audits, we received from the accounting auditors reports on the state of performance of their duties, and sought explanations as required. Additionally, we received from accounting auditors a notice stating that a system has been established for ensuring that duties are appropriately performed (items given in each Item of Article 131 of the Ordinance on Company Accounting), in line with audit-related quality management standards (company accounting deliberation on October 28, 2005), and sought explanations as required.

Based on the above methods, we investigated the financial statements for the current fiscal year (balance sheet, income statement, statement of changes in shareholder equity, and individual notes to the accounts), and their accompanying detailed documents.

2. Audit results

(1) Results of audits on business results and others

1. We certify that the annual report and accompanying detailed documents correctly disclose the state of the Company in line with laws and ordinances and the Articles of Incorporation.

2. We found neither falsifications or serious infringements of laws and ordinances or the Articles of Incorporation in relation to the performance of directors' duties.

3. We believe that details of meetings of the Board of Directors in relation to internal control systems were appropriate.

Also, we did not find any items that should be reported in relation to the details given in annual report on the relevant internal control system nor in the performance of directors' duties.

(2) Results of the audit of the financial statements and accompanying detailed documents

We believe that the methods and results of the audit by Nagisa & Co. were appropriate.

May 21, 2013

Audit Committee, G.taste Co., Ltd.

Permanent Auditor Haruo Hoshi [Seal]

External Auditor Masami Komatsu [Seal]

External Auditor Kayoko Sato [Seal]

End

Contents of documents including the financial statements, etc. for the most recent fiscal year of SAKAI CO., LTD

BUSINESS REPORT

From: April 1, 2012

To: March 31, 2013

1. Matters Concerning the Current Status of the Company

(1) Progress and results of business

During the fiscal year under review, the Japanese economy experienced a moderate recovery supported by reconstruction demand after the Great East Japan Earthquake, but showed a weak trend due to the downturn in the European and US markets and the slowdown in emerging economies. However, since the change of administration in December 2012, the future outlook remained uncertain as the yen continued to depreciate dramatically and stock prices rose. In the restaurant industry, deflation continued due to anxiety regarding the future of the income environment, amid a tendency toward saving caused by concern about a hike in the rate of consumption tax and a trend where consumers refrained from eating out. Furthermore, owing to competition within the industry, the surrounding business environment remained severe.

Against this backdrop, in order to enhance customer satisfaction, the Company devised the slogans “I want to go there again, I’ll never get tired of it” and “It’s fun”, and implemented special menus on a regular basis with the aim of creating restaurants that bring customers back again. In addition, utilizing the knowledge and experience regarding meat that we have cultivated over many years, we engaged in initiatives to strengthen the existing yakiniku type of business and make it more attractive. For example, after inspecting meat processing plants, adequately checking manufacturing processes and confirming quality, we carried out sales of yukhoe based on thorough “security and safety” standards. In addition to the yakiniku business format, which is our major type of business, during the fiscal year under review, we converted two restaurants to directly operated Italian order buffet “Buffet Olive” establishments, which is a format that meets the diversifying needs of customers.

As a result, in the fiscal year under review, the Company posted net sales of ¥5,483 million (down 5.3% year on year), operating income of ¥121 million (compared to an operating loss of ¥97 million in the previous fiscal year), ordinary income of ¥185 million (compared to an ordinary loss of ¥31 million), and net income of ¥73 million (versus a net loss of ¥292 million).

(2) Status of capital investment

The total amount of capital investment in the fiscal year under review was ¥108 million. The main uses of this investment were the following.

- (i) Major facilities completed during the fiscal year under review
 - Buffet Olive Iwatsuka restaurant
 - Refurbishment work, etc. associated with change of format
- (ii) Opening, expansion or modification of ongoing major facilities during the fiscal year under review
 - Not applicable

(3) Status of financing

For the purpose of appropriation as part of funds for the repayment of borrowings from financial institutions, on March 18, 2013, the Company issued ¥300 million of second series unsecured convertible bonds with share options, ¥300 million of third series unsecured convertible bonds with share options, and ¥300 million of fourth series unsecured convertible bonds with share options.

(4) Status of business transfers, absorption-type company splits or new company splits

Not applicable

(5) Issues to address

In regard to the Company's business management, competition is expected to intensify among companies in the industry and the management environment is forecast to remain severe amid growing consumer awareness regarding food safety and the diversification of customer tastes.

Under these conditions, the Company aims to establish new brands that can meet the diversifying desires of customers, with a focus on strengthening brand power in order to enhance customer satisfaction and the ability to attract customers. To achieve this goal, we are tackling the following issues.

(i) Enhancement of restaurant capabilities and development of human resources

Securing human resources and developing human resources are important issues for the Company's growth. In regard to securing human resources, the Company will actively recruit new graduates that will become future management candidates and engage in hiring mid-career employees that will immediately become effective personnel. As for human resource development, we will focus our efforts on developing and implementing an education system that will provide education systematically with the aim of strengthening the management of skills training to enhance customer satisfaction as well as customer service training and the development of management candidates.

(ii) Provision of better secure and safe products

We recognize that ensuring the safety of products is the highest priority for a restaurant company. In our restaurants, we have been appropriately reviewing manuals for the handling of meals and ingredients, thoroughly carrying out employee education and endeavoring to bolster restaurant operations. In addition, in regard to purchasing, we have been inspecting overseas meat processing plants with which suppliers have concluded contracts as well as checking and inspecting quality and shipment systems as occasion calls. To provide a stable supply of secure and safe products, we will continue efforts to ensure even more thorough management.

(6) Trends in status of assets, and profits and losses

Category	30th Fiscal Year (ended March 31, 2010)	31st Fiscal Year (ended March 31, 2011)	32nd Fiscal Year (ended March 31, 2012)	33rd Fiscal Year (ended March 31, 2013)
Sales (in thousand yen)	7,483,929	7,020,620	5,787,373	5,483,071
Ordinary income (loss) (in thousand yen)	121,324	118,901	(31,884)	185,850
Net income (loss) (in thousand yen)	(162,336)	(263,063)	(292,979)	73,053
Net income	(7.29)	(11.48)	(12.51)	3.12

(loss) per share (¥)				
Total assets (in thousand yen)	5,009,672	4,770,995	4,384,455	4,282,859
Net assets (in thousand yen)	1,977,272	1,814,203	1,521,223	1,594,276
Net assets per share (¥)	87.95	77.45	64.94	68.06

Notes:

1. In the 30th fiscal year, the Company converted eight restaurants to the “Osaka Karubi” format, a low-priced yakiniku business format. However, owing to deterioration in restaurant sales caused by the transfer of product and distribution transactions and sluggish consumer spending, sales and profits declined, as in the previous fiscal year.
2. In the 31st fiscal year, the Company aggressively developed the Osaka Karubi format (by opening two new restaurants and converting the format of 11), as in the previous year. Nevertheless, sales and profits ended up declining year on year due to the cooling of consumer sentiment stemming from weak personal income and severe employment conditions.
3. In the 32nd fiscal year, sales and profits declined year on year due to the impact of damage from the occurrence of yukhoe food poisoning and harmful rumors caused by cattle fed with cesium-contaminated rice straw.
4. In regard to the fiscal year under review, please refer to “(1) Progress and results of business” above.

(7) Status of major parent companies

Parent company, etc.	Attribute	Parent company's percentage of voting rights held (%)	Main business activities
Cook Innoventure Co., Ltd.	Parent company	48.8 (indirect)	Control and management of the business activities of the applicable company based on ownership of the company's shares and interests in the company
G.communications Co., Ltd.	Parent company	48.8 (direct)	Group holding company Consulting business

Notes:

1. G.communications, the parent company of the Company, made a third-party allocation of shares on February 15, 2013, and this resulted in Cook Innoventure Co., Ltd. holding an equity stake in G.communications equivalent to 68.2% of voting rights. Consequently, Cook Innoventure Co., Ltd. became a parent company of the Company.
2. On 21 May, 2013, KOBE BUSSAN CO., LTD. disclosed in regard to Cook Innoventure Co., Ltd., in which it has voting rights of 18.9%, that it would make Cook Innoventure Co., Ltd. a consolidated subsidiary and include it in the scope of consolidation from the second quarter of the fiscal year ending October 2013. As a result, on the same date, KOBE BUSSAN CO., LTD. became a parent company of the Company.

(Business relationships)

The Company has borrowed the sum of ¥840 million from G.communications Co., Ltd.

(8) Major business activities

- (i) Management of restaurants
- (ii) Management consulting relating to restaurants
- (iii) Affiliation recruitment of restaurant franchise chain stores
- (iv) Provision of technical assistance and management guidance to restaurant franchise chain stores

(9) Main places of business

Head office: 2-46 Kurokawahondori, Kita-ku, Nagoya City, Aichi Prefecture

Restaurants: 64 directly operated restaurants, 57 franchise restaurants

	Directly operated restaurants	Franchise restaurants	Total
Hokkaido	-	1	1
Hokkaido, Tohoku region total	-	1	1
Ibaraki Prefecture	-	2	2
Saitama Prefecture	2	1	3
Chiba Prefecture	2	-	2
Tokyo	6	-	6
Kanagawa Prefecture	8	4	12
Kanto region total	18	7	25
Nagano Prefecture	3	3	6
Niigata Prefecture	-	5	5
Toyama Prefecture	-	1	1
Ishikawa Prefecture	-	2	2
Fukui Prefecture	-	2	2
Hokuriku koushinetsu region total	3	13	16
Shizuoka Prefecture	14	5	19
Aichi Prefecture	11	1	12
Gifu Prefecture	4	3	7
Mie Prefecture	4	2	6
Tokai region total	33	11	44

	Directly operated restaurants	Franchise restaurants	Total

Shiga Prefecture	-	1	1
Kyoto Prefecture	3	-	3
Osaka Prefecture	6	-	6
Hyogo Prefecture	1	-	1
Wakayama Prefecture	-	4	4
Kinki region total	10	5	15
Tottori Prefecture	-	2	2
Shimane Prefecture	-	5	5
Hiroshima Prefecture	-	4	4
Yamaguchi Prefecture	-	4	4
Chugoku region total	-	15	15
Kochi Prefecture	-	2	2
Shikoku region total	-	2	2
Nagasaki Prefecture	-	2	2
Kyushu region total	-	2	2
Overseas	-	1	1
Total	64	57	121

(10) Status of employees

Number of employees	Year on year change	Average age	Average years of continuous service
133	Decrease of 15	33 years, 0 months	8 years, 2 months

Note: In addition to the above, the Company employs 453 temporary and part-time staff (annual average based on conversion using 8 hours per day).

(11) Status of main lenders

Not applicable

(12) Significant matters concerning current status of other companies

In regard to the directly operated restaurant operations business, the Company aims to carry out agile and flexible decision-making and operations in order to precisely ascertain changes and trends in the orientation and lifestyles of consumers as well as the status of competing establishments, and to respond flexibly to changes in the environment. With this objective, the Company has resolved to carry out a joint incorporation-type split with G.taste and G.networks and to transfer their respective eating establishment business operations to Cook Operation Co., Ltd., a new company to be established, with an effective date of August 1, 2013.

In addition, the Company aims to promote the integration of business relationships, etc., including nationwide purchasing and distribution, to establish a comprehensive management and administration system, to reinforce competitiveness by concentrating management resources and improving efficiency, to expand sales and to enhance profitability. With this objective, the Company has decided to carry out an absorption-type merger effective August 1, 2013, where G.taste Co., Ltd. will be the surviving company while G.networks CO., LTD. and the Company will be dissolved.

For details regarding the absorption-type merger and the joint incorporation-type split, please refer to Item 1 “Approval of Absorption-type Merger Agreement, with G.taste Co., Ltd. as the Surviving Company and the Company and G.networks CO., LTD. to Be Dissolved” in the Shareholders Meeting Reference Material (pages 37 to 46).

2. Matters Concerning Shares of the Company

- (1) Total number of authorized shares 45,000,000 shares of common stock
(2) Total number of issued shares 23,605,396 shares of common stock
(including 181,366 treasury shares)
(3) Number of shareholders at term-end 12,971
(4) Number of shares in 1 trading unit 100 shares
(5) Major shareholders

Name of shareholder	Number of shares held	Shareholding ratio
G.communications Co., Ltd.	11,423,396	48.77%
Takeshi Higuchi	581,000	2.48%
Ariake Japan Co., Ltd.	435,000	1.86%
J·ART Industry Co., Ltd.	401,000	1.71%
Oomitsu Co., Ltd.	308,000	1.31%
Nobuhiro Kawashima	219,000	0.93%
Takashi Kawabata	209,900	0.90%
Takeshi Nakagawa	107,400	0.46%
Farmland Co., Ltd.	100,000	0.43%
To-a Syokusan Co., Ltd.	100,000	0.43%

Note:
Shareholding ratios have been calculated after deducting treasury shares

(181,366 shares).

3. Matters Concerning the Company's Share Options

(1) Status of share options, etc. granted as consideration for performance of duties held by the Company's Directors

Not applicable

(2) Status of share options, etc. granted to the Company's employees, etc. as consideration for performance of duties during the fiscal year under review

Not applicable

(3) Other important matters concerning share options, etc.

(i) Second series of unsecured convertible bonds with share options

A summary of share options attached to the Company's second series of unsecured convertible bonds with share options that were issued based on a resolution of the Board of Directors meeting held on February 15, 2013 is shown below.

Issuance date	March 18, 2013
Number of share options	30
Type of shares issued for share options	Common stock
Number of shares issued for share options	The maximum whole number obtained by dividing the total amount of the par value of the bonds associated with exercise requests by the conversion price
Conversion price	Initially ¥81.7 (The conversion price will be adjusted under certain conditions.)
Issue price of share options	Gratis
Period for exercise of share options	From April 1, 2013 to March 18, 2020
Conditions for exercise of share options	Partial exercise of each of these share options shall not be permitted.

(ii) Third series of unsecured convertible bonds with share options

A summary of share options attached to the Company's third series of unsecured convertible bonds with share options that were issued based on a resolution of the Board of Directors meeting held on February 15, 2013 is shown below.

Issuance date	March 18, 2013
Number of share options	30
Type of shares issued for share options	Common stock
Number of shares issued for share options	The maximum whole number obtained by dividing the total amount of the par value of the bonds associated with exercise requests by the conversion price
Conversion price	Initially ¥81.7 (The conversion price will be adjusted under certain conditions.)
Issue price of share options	Gratis
Period for exercise of share options	From April 1, 2013 to March 18, 2020
Conditions for exercise of share options	Partial exercise of each of these share options shall not be permitted. If, as a result of the exercise of these share options, the number of voting rights associated with the shares of the Company or its successor company that G.communications Co., Ltd. or its successor company holds (excluding applicable shares that are held via a third party) is less than 40% of the voting rights of all the shareholders of the Company or its successor company, the exercise of these share options shall not be permitted.

(iii) Fourth series of unsecured convertible bonds with share options

A summary of share options attached to the Company's fourth series of unsecured convertible bonds with share options that were issued based on a resolution of the Board of Directors meeting held on February 15, 2013 is shown below.

Issuance date	March 18, 2013
Number of share options	30
Type of shares issued for share options	Common stock
Number of shares issued for share options	The maximum whole number obtained by dividing the total amount of the par value of the bonds associated with exercise requests by the conversion price
Conversion price	Initially ¥81.7 (The conversion price will be adjusted under certain conditions.)
Issue price of share options	Gratis
Period for exercise of share options	From March 18, 2014 to March 18, 2020
Conditions for exercise of share options	Partial exercise of each of these share options shall not be permitted. If, as a result of the exercise of these share options, the number of voting rights associated with the shares of the

	Company or its successor company that G.communication Co., Ltd. or its successor company holds (excluding applicable shares that are held via a third party) is less than 40% of the voting rights of all the shareholders of the Company or its successor company, the exercise of these share options shall not be permitted.
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4. Matters Concerning Company Directors

(1) Names, etc. of Directors and Corporate Auditors

Position	Name	Status of duties and important concurrent positions
Representative Director and President	Hideo Sugimoto	Representative Director, G.communications Co., Ltd. Director, G.taste Co., Ltd.
Executive Vice President	Satoshi Ogata	Director, B-Supply Co., Ltd.
Director	Atsushi Yamashita	Division Manager of Executive Management Division
Director	Ichiro Kawakami	Director, G.communications Co., Ltd. Executive Vice President, G.taste Co., Ltd. Director, G.networks CO., LTD. Director, Ginga System Solution Co., Ltd.
Corporate Auditor (Standing Statutory Auditor)	Tomohisa Mamiya	
Corporate Auditor	Kayoko Sato	Corporate Auditor, G.communications Co., Ltd. Corporate Auditor, G.taste Co., Ltd. Corporate Auditor, G.networks CO., LTD.
Corporate Auditor	Akifumi Kajiura	
Corporate Auditor	Takao Kurokawa	

Notes:

1. Ichiro Kawakami, Director, is an Outside Director as stipulated in Article 2, Item 15 of the Companies Act.
2. Corporate Auditors Kayoko Sato, Akifumi Kajiura and Takao Kurokawa are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act.
3. Kayoko Sato, Corporate Auditor, is concurrently serving as Corporate Auditor at G.communications Co., Ltd., G.taste Co., Ltd. and G.networks CO., LTD. and has considerable knowledge concerning accounting and taxation.
4. Akifumi Kajiura, Corporate Auditor, is engaged in account settlement procedures and the preparation of financial statements, etc. as Accounting Manager at G.communications Co., Ltd. and has considerable knowledge concerning accounting and taxation.
5. The Company has designated Corporate Auditor Takao Kurokawa as an Independent Corporate Officer based on the provisions of the Osaka Securities Exchange and notified the same exchange of that fact.
6. Yukiya Hamano resigned as Director due to the expiry of his term of office at the end of the 32nd Annual Shareholders Meeting held on June 29, 2012.
7. As of April 1, 2013, the following changes in the positions and duties of Directors occurred.

Name	New position	Former position
Atsushi Yamashita	Representative Director	Director and Division

	& President	Manager of Executive Management Division
Hideo Sugimoto	Director	Representative Director and President
Satoshi Ogata	Director	Executive Vice President

8. As of April 1, 2013, the following changes in the important concurrent positions of Directors occurred.

Name	After change	Before change
Satoshi Ogata	Director and President, B-Supply Co., Ltd.	Director, B-Supply Co., Ltd.

(2) Directors and Corporate Auditors that resigned during the fiscal year under review

Not applicable

(3) Total amount of remuneration paid to Corporate Officers

Category	Number of persons paid	Amount of remuneration, etc.	Comments
Directors	3	¥29,245,000	
Corporate Auditors	2	¥9,565,000	
(of whom, Outside Corporate Auditors)	(1)	(¥3,600,000)	
Total	5	¥38,810,000	

Notes:

1. The limit of remuneration paid to Directors (excluding the portion of remuneration paid for serving as an employee to Directors serving concurrently as employees) based on a resolution of a Shareholders Meeting (amended on June 20, 1994) is ¥1,000,000,000 per year, and the limit of remuneration paid to Corporate Auditors based on a resolution of a Shareholders Meeting (amended on June 20, 1994) is ¥200,000,000 per year.
2. The amount of remuneration, etc. includes corporate officers' bonuses of ¥1,400,000 (¥1,000,000 for Directors, ¥400,000 for Corporate Auditors).
3. As of the end of the fiscal year under review, there are four Directors and four Corporate Auditors. In addition, there are one Director and two Corporate Auditors with no remuneration.
4. The total amount of Corporate Officers' remuneration received by Outside Directors from a parent company or a subsidiary of the applicable parent company was ¥17,853,000.
5. The total amount of Corporate Officers' remuneration received by Outside Corporate Auditors from a parent company or a subsidiary of the applicable parent company was ¥4,538,000.

(4) Matters concerning Outside Corporate Officers

(i) Status of important concurrent positions of Outside Corporate Officers

Director Ichiro Kawakami is concurrently serving as Director and Vice President of G.taste Co., Ltd., as well as a Director of G.communications Co., Ltd., G.networks CO., LTD., and Ginga System Solution Co., Ltd.

Corporate Auditor Kayoko Sato is concurrently serving as a Corporate Auditor of G.communications Co., Ltd., G.taste Co., Ltd., and G.networks CO., LTD.

In addition, G.communications Co., Ltd., is a parent company of the Company and there is a business relationship that includes the borrowing of funds with the Company. G.taste Co., Ltd. and G.networks CO., LTD. are fellow subsidiaries of the Company, and there are business relationships involving products and services with the Company. Ginga System Solution Co., Ltd. is a fellow subsidiary of the Company, and there is a business relationship involving services with the Company.

(ii) Status of main activities of Outside Corporate Officers

Category	Name	Status of main activities
Director	Ichiro Kawakami	Mr. Kawakami attended nearly all of the meetings of the Board of Directors during the fiscal year under review and made appropriate statements from an expert standpoint.
Corporate Auditor	Kayoko Sato	Ms. Sato attended all of the meetings of the Board of Corporate Auditors and the Board of Directors during the fiscal year under review, and made appropriate statements mainly from the viewpoint of

		finance and accounting.
Corporate Auditor	Akifumi Kajiura	Mr. Kajiura attended all of the meetings of the Board of Corporate Auditors and the Board of Directors during the fiscal year under review, and made appropriate statements mainly from the viewpoint of finance and accounting.
Corporate Auditor	Takao Kurokawa	Mr. Kurokawa attended all of the meetings of the Board of Corporate Auditors and the Board of Directors during the fiscal year under review, and made appropriate statements mainly from an expert standpoint regarding franchise business.

(iii) Summary of contents of liability limitation agreements

The Company has established provisions regarding liability limitation agreements for Outside Directors and Outside Corporate Auditors stipulated in Article 427, Paragraph 1 of the Companies Act in the Articles of Incorporation, but there are currently no applicable matters.

5. Matters Concerning Accounting Auditor

(1) Name of the Company's accounting auditor:

Nagisa & Co.

(2) Amount of remuneration paid to the accounting auditor in relation to the fiscal year under review

(i) Amount of remuneration, etc. as accounting auditor in relation to fiscal year under review:

¥15,000,000

(ii) Total amount of money and other economic benefit that the Company needs to pay:

¥15,000,000

Note: As the amount of remuneration, etc. for audits by the accounting auditor under the Companies Act and the amount of remuneration, etc. for audits under the Financial Instruments and Exchange Act has not been clearly separated in the Audit Agreement between the Company and the accounting auditor, and it is also practically impossible to separate these, the amount of remuneration, etc. mentioned above includes the total amount of these.

(3) Details of non-audit work associated with compensation of accounting auditor in relation to the Company

Not applicable

(4) Policy on decisions to dismiss or not reappoint accounting auditor

The Company's policy is to dismiss the accounting auditor when it believes that the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act. Moreover, the Company's policy on making decisions regarding dismissal or non-reappointment takes into account the status of the development of matters concerning the execution of the accounting auditor's duties.

(5) Matters relating to the current suspension of the work of the accounting auditor

Not applicable

- (6) Matters relating to the suspension of the work of the accounting auditor during the past two years
Not applicable
- (7) Resignation or dismissal of the accounting auditor during the fiscal year under review
Not applicable

6. Company Organization and Policies

(1) System for assuring that execution of duties by directors conforms to applicable laws and the articles of incorporation; system for assuring propriety of other business

(i) System for assuring that execution of duties by directors conforms to applicable laws and the Articles of Incorporation

Effort is made so that the business operations of the Board of Directors are conducted properly and effectively based on the Board of Directors Rules. When necessary, outside specialists are engaged to prevent conduct that violates applicable laws and the Articles of Incorporation. Effort is made to have effective mutual checking functions among officers such as making prompt reports to the auditors and Board of Directors in cases where a director discovers conduct by another director that violates applicable laws and the Articles of Incorporation. There are ongoing arrangements aimed at strengthening the system of governance by directors such as reviews for introducing various rules and regulations when necessary.

(ii) System pertaining to storage and management of information relating to execution of duties by directors

Information relating to the execution of duties by directors is maintained in document form and on electronic media in accordance with the Document Management Rules. Storage and management conditions allow for effective and reliable searching based on the type of storage media. When necessary, it is maintained in a condition that permits access for a 10-year period.

(iii) Rules and other systems pertaining to management of risk of loss

1. Effort is made to have a full understanding of the various risks confronting the Company based on the system for risk management, and rules pertaining to risk management are formulated. Such risks include the risks associated with business promotion such as operation of restaurants and operation of the Corporate Franchise Division, risks associated with environmental problems as well as accidents and disaster, and legal risks associated with contracted business and information management. Persons are appointed to act as managers responsible for individual risks as necessary on a case by case basis, and a system has been created for management and operation.
2. Rules pertaining to risk management are revised when necessary and preparations are made to address the occurrence of new risks.
3. If unforeseen circumstances beyond what is contemplated by the ordinary risk management system arise, an office headed by the President is established at the head office. When necessary, a team for sharing information internally and within the corporate group is organized as well as an outside advisory team that includes lawyers and other parties to prepare a system for quick response and to prevent escalation of damage.

(iv) System for assuring that execution of duties by directors is conducted effectively

1. There is a system for assuring that the execution of duties by directors is conducted effectively. Regular meetings of the Board of Directors are held once each month and ad hoc meetings are held when necessary.
2. To ensure that debate by the Board of Directors is efficient and effective, preliminary discussions on important matters affecting business execution are conducted among directors, auditors and executive officers, and decisions on execution are made based on such deliberations.
3. There are various rules and regulations relating to organizational structure such as the Organization Rules and Rules for Division of Duties concerning business execution based on decisions made by the Board of Directors. These rules and regulations contain details

regarding the respective persons in charge, their responsibilities and procedures for execution.

- (v) System for assuring that execution of duties by employees conforms to applicable laws and the Articles of Incorporation
 1. A Company Code of Conduct has been prescribed based on the compliance system, and effort is made to provide training to employees concerning the rules to which they must adhere as Company employees beginning with compliance.
 2. A Compliance Committee has been established with the President acting as Chairman, and effort is made to prepare and maintain the compliance system. When necessary, rules and guidelines are prepared by each of the business units, and training is provided.
 3. An Internal Audit Office has been established as the business unit in charge of internal auditing that is independent from the business units responsible for business execution. Effort is made to maintain and develop the compliance system on an entity-wide level by working in communication and cooperation with the Compliance Committee.
 4. If a director discovers a serious legal violation in the Company or other important facts pertaining to compliance, a report is promptly made to the Internal Audit Office and auditors.
 5. A reporting desk has been established in order to become aware of facts constituting a legal violation, etc. or with the potential for such. If there is a report, an investigation spearheaded by the Compliance Committee is conducted and necessary measures are taken.
 6. In an auditor becomes aware of a problem with the operation of the Company's compliance system and reporting system, the auditor may express an opinion and ask for remedial measures to be taken.

- (vi) System for assuring the proper conduct of business by the corporate group consisting of the company, parent company and subsidiaries.

The Company shares a common management philosophy and vision for the corporate group with Cook Innoventure Co., Ltd. and the parent company, G.communications Co., Ltd. The functions and role of the Company within the group are clearly defined. When necessary, the various rules and regulations pertaining to the Company's internal controls are revised or newly drafted. All of this is to ensure that business execution of the corporate group and the Company is conducted properly.

- (vii) System pertaining to employees assigned to assist with work undertaken by auditors and independence of such employees from directors
 1. In principle, employees are not assigned to assist with the work undertaken by auditors. When necessary, such as when there is a request from an auditor, opinions are exchanged among directors and auditors, and audit staff may be appointed to assist with the work undertaken by auditors.
 2. When an employee is selected to act as a staff member for auditors, the employee follows instructions given by the auditors. Auditors are regarded as the superiors of such employees for the purpose of personnel reviews, and the opinion of the auditors is given significant weight.

- (viii) System of reporting to auditors and other systems to assure auditing conducted by auditors is effective
 1. There are rules that prescribe the matters that must be reported to auditors by directors and employees as well as the timing for such reports. Directors and employees must make reports to auditors concerning the Company's business and material matters affecting business based on these rules. In addition, auditors may also require directors and employees to make reports at any time.

2. In addition to the foregoing, there are provisions pertaining to internal reporting. By maintaining the proper operation of internal reporting, an appropriate system of reporting legal violations and other compliance-related problems to auditors is assured.

(ix) System for assuring appropriateness of financial reporting

A Basic Policy for Internal Controls has been established to facilitate proper financial reporting and a system that assures the integrity of financial reports has been created in accordance with this Basic Policy. When it is recognized that changes of the Basic Policy and system that is based on this policy are necessary because of various internal and external factors, the Board of Directors is requested to confer and issue measures for improvement.

(x) Policy pertaining to decisions for dividends of surplus and other matters

The Company treats the stable payment of profits based on business performance as an important issue, and dividends are determined with consideration given to maintaining internal reserves to allow for business development. There has been no change of this Basic Policy.

(2) Basic policy concerning control of the company

No applicable items.

Balance Sheet
(March 31, 2013)

(Unit: ¥1,000)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
CURRENT ASSETS	531,618	CURRENT LIABILITIES	1,444,329
Cash and deposits	263,592	Accounts payable-trade	184,363
Accounts receivable-trade	104,667	Short-term loans payable to subsidiaries and affiliates	840,000
Merchandise	18,738	Lease obligations	12,282
Raw materials and supplies	18,095	Accounts payable-other	74,690
Prepaid expenses	71,824	Accrued expenses	135,969
Short term loans receivable	3,652	Income taxes payable	43,058
Other	69,774	Accrued consumption taxes	24,174
Allowance for doubtful accounts	(18,726)	Deferred tax liabilities	350
NONCURRENT ASSETS	3,751,241	Unearned revenue	100,663
Property, plant and equipment	2,107,117	Provision for bonuses	15,000
Buildings	740,983	Other	13,776
Structures	85,741	NONCURRENT LIABILITIES	1,244,253
Tools, furniture and fixtures	45,369	Bonds with share options	882,211
Land	1,198,775	Lease obligations	14,662
Lease assets	36,246	Deferred tax liabilities	9,640
Intangible assets	57,983	Asset retirement obligations	87,825
Leasehold interests	48,866	Long-term guarantee deposited	159,903
Software	2,331	Long-term unearned revenue	90,011
Telephone subscription rights	6,125	TOTAL LIABILITIES	2,688,583
Right of using facilities	659	(Net Assets)	
Investments and other assets	1,586,140	Shareholders' equity	1,594,276
Long term loans receivable	99,994	Capital stock	1,795,217
Claims provable in bankruptcy, claims provable in rehabilitation and other	107,556	Capital surplus	155,412
Long-term prepaid expenses	17,337	Legal capital reserve	155,412
Guarantee deposits	693,498	Retained earnings	(189,724)
Real estate for investment	860,827	Other retained earnings	(189,724)
Allowance for doubtful accounts	(193,074)	Retained earnings brought forward	(189,724)
		Treasury stock	(166,629)

		TOTAL NET ASSETS	1,594,276
TOTAL ASSETS	4,282,859	TOTAL LIABILITIES AND NET ASSETS	4,282,859

(Note) Above amounts are rounded down to the nearest unit of ¥1,000

Statements of Income
(From April 1, 2012 through March 31, 2013)

(Unit: ¥1,000)

Item	Amount	
Net sales		5,483,071
Cost of sales		1,644,499
Gross profit		3,838,571
Selling, general and administrative expenses		3,717,173
Operating income		121,398
Non-operating income		
Interest and dividends income	3,272	
Real estate rent	103,474	
Co-sponsor fee	87,020	
Other	58,263	252,030
Non-operating expenses		
Interest expenses	46,669	
Interest on bonds	6,731	
Bond issuance cost	8,750	
Rent cost of real estate	99,041	
Other	26,385	187,577
Ordinary income		185,850
Extraordinary income		
Gain on sales of noncurrent assets	4,063	4,063
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,685	
Impairment loss	81,236	84,922
Income before income taxes		104,992
Income taxes-current	32,493	
Income taxes-deferred	(553)	31,939
Net income		73,053

(Note) Above amounts are rounded down to the nearest unit of ¥1,000

Statement of Changes in Net Assets
(From April 1, 2012 through March 31, 2013)

Item	Shareholders' Equity
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	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
		Legal Capital Reserve	Other Retained Earnings		
			Retained Earnings Brought Forward		
Balance on April 1, 2012 (thousand yen)	1,795,217	155,412	(262,777)	(166,629)	1,521,223
Change during fiscal year					
Net income			73,053		73,053
Change other than shareholders' equity during fiscal year (net)					
Total change during fiscal year (thousand yen)	—	—	73,053	—	73,053
Balance on March 31, 2013 (thousand yen)	1,795,217	155,412	(189,724)	(166,629)	1,594,276

Balance on April 1, 2012 (thousand yen)	Total Net Assets
Change during fiscal year	1,521,223
Net income	
Change other than shareholders' equity during fiscal year (net)	73,053
Total change during fiscal year (thousand yen)	
Balance on March 31, 2013 (thousand yen)	73,053
Balance on April 1, 2012 (thousand yen)	1,594,276

(Note) Above amounts are rounded down to the nearest unit of ¥1,000

(Notes Concerning Premise of Ongoing Concern)

No applicable items.

(Notes Concerning Matters on Important Accounting Policies)

1. Criteria and methodology for valuation of assets

Criteria and methodology for valuation of inventory:

Inventory is valued at cost (method of writing down from reduced profitability).

Products, raw materials and goods in storage: Last-in cost method.

2. Methodology for depreciation of noncurrent assets

(1) Property, plant and equipment and real estate for investment (excluding lease assets)

Buildings (excluding facilities attached to buildings): Straight-line method.

Other than buildings (excluding facilities attached to buildings):

Declining-balance method.

The following are the key economic lives in number of years:

Buildings: 15-31 years

Structures: 10-20 years

Tools, furniture and fixtures: 5-10 years

Regarding assets acquired prior to March 31, 2007, depreciation is done by a method that averages the depreciation for a five-year period beginning in the following year to the maximum depreciable amount.

(Change of estimates used in accounting and change of accounting policy for assets for which classification is problematic)

Beginning in the current fiscal year, in response to amendment of the Corporation Tax Act, the method of depreciation of tangible fixed assets acquired on and after April 1, 2012 has been changed to conform to the Corporation Tax Act as amended.

The change as resulted in an increase of ¥1,490,000 for operating profit, ordinary profit and pre-tax profit for the term for the given fiscal year, respectively, relative the former method.

(2) Intangible assets (excluding lease assets)

Straight-line method.

Depreciation of software for company use is based on its economic life within the company (5 years).

(3) Lease assets

Leased assets pertaining to finance lease transactions involving a transfer of ownership:

The method employed is the same depreciation method applied to fixed assets owned by the company.

Leased assets pertaining to finance lease transactions not involving a transfer of ownership:

The lease term is used as the economic life in number of years with the remaining value depreciated by the straight-line method until zero.

(4) Long-term prepaid expenses: Straight-line depreciation period of 2-5 years

3. Method for processing deferred assets

Cost of issuing corporate debentures:

Full amount of costs at time of expenditure.

4. Criteria for Booking Allowances

(1) Allowance for doubtful accounts

This is to cover losses from non-payment of claims. For ordinary claims, the actual rate of non-payment is used to post the unrecoverable amount. Individual

consideration is given for specific claims such as those for which there is a concern for non-payment for posting the unrecoverable amount.

- (2) Provision for bonuses
This is to cover payments of employee bonuses. The amount posted is the amount for the given fiscal year based on the amount expected to be paid.
5. Other important matters that are fundamental for preparation of accounting documentation
Accounting treatment of consumption and other taxes:
Pre-tax amounts are used.

(Notes Concerning Balance Sheet)

1. Amount of cumulative depreciation on tangible fixed assets:	¥2,782,601,000
Amount of cumulative depreciation on investment real estate:	¥501,068,000
2. Borrowings and loans with affiliates	
Short term loans receivable:	¥3,318,000
Long term loans receivable:	¥24,701,000
Short term loans payable:	¥861,397,000

(Notes Concerning Statements of Income)

Total amount of sales-related and non-sales transactions with affiliates:	
Sales transactions (expenditures):	¥23,616,000
Transaction amount of non-sales transactions with affiliates:	¥879,121,000

(Notes Concerning Statement of Change of Shareholders' Equity)

1. Class and Total Number of Issued Shares

Class of Issued Shares	Number of Shares at End of Fiscal Year
Common stock	23,605,396 shares

2. Class and Total Number of Treasury Stock

Class of Treasury Stock	Number of Shares at End of Fiscal Year
Common stock	181,366 shares

(Notes Concerning Financial Instruments)

1. Matters pertaining to condition of financial instruments
 - (1) Policy for handling financial instruments
The Company procures necessary funds based on the capital investment plan. Temporary surplus funds are invested in short term deposits. Fund procurement is conducted primarily by borrowings and issuance of bonds. The policy is to refrain from engaging in speculative transactions.
 - (2) Content of financial instruments and associated risks
As business claims, accounts receivable are affected by the credit risk associated with customers. Security deposits consist primarily of guarantee money in conjunction with leases of land and buildings for use by stores which are affected by the credit risk associated with lessors. Long term lending to franchisees and other parties is also conducted which is affected by the credit risk associated with borrowers. As business liabilities, almost all accounts payable are subject to due dates within six months. Since loans receivable and bonds are primarily used to raise funds needed for capital investment, the redemption dates are as long as greater than seven years from the settlement date and have liquidity risk in terms of lacking the ability to make repayment or perform on the redemption dates.

(3) Risk management pertaining to financial instruments

(i) Management of credit risk

The Company's business claims and long term loans are subject to the Rules for Management of Claims. These are managed by due dates and balances for each counterparty. Regular monitoring of the conditions at principal counterparties is conducted by the sales units and general affairs units. Effort is made to reduce the risk of non-payment resulting from deterioration of financial condition of the borrowers by sharing information with the accounting units.

(ii) Management of liquidity risk pertaining to fund procurement

The company manages liquidity risk by regularly preparing and updating the funding plan.

2. Matters pertaining to market prices and valuations of financial instruments

The amounts posted on the balance sheet for March 31, 2013, market prices and variances (settlement date for the current term) are as follows. The following table does not include items for which obtaining a market price is highly problematic (c.f., Note 2).

(Unit: ¥1,000)

	Amounts Posted on Balance Sheet	Market Price	Variance
(1) Cash and deposits	263,592	263,592	--
(2) Accounts receivable-trade	104,667		
Allowance for doubtful accounts *1	(16,363)		
	88,304	88,092	(212)
(3) Short term and long term loans receivable	103,647		
Allowance for doubtful accounts *1	(91,381)		
	12,266	5,916	(6,349)
(4) Guarantee deposits	172,255	176,122	3,866
Total Assets	536,418	533,723	(2,695)
(1) Accounts payable-trade	- 184,363	- 184,363	--
(2) Short-term loans payable to subsidiaries and affiliates	- 840,000	- 840,000	--
(3) Bonds with share options	- 882,211	- 882,211	--
Total Liabilities	- 1,906,574	-	--
		1,906,574	

*1. Accounts receivable-trade and loans receivable are reduced by the individual amounts of allowances for doubtful accounts.

*2. Items posted to liabilities are indicated by -.

(Note) 1. Method for calculation of market value of financial instruments

Assets

(1) Cash and deposits

Since these are settled in the short term, the market price is almost the same as the book value. Thus, book value is used.

(2) Accounts receivable-trade

Since ordinary claims are settled in the short term, the market price is almost the same as the book value. Thus, book value is used.

For doubtful accounts, the present value of the projected amount of principal and interest to be received that is reflected as recoverable is calculated by discounting with an appropriate index such as the yield on government bonds over the period of time projected for recovery.

(3) Short-term and long-term loans receivable

The present value of the projected amount of principal and interest to be received that is reflected as recoverable is calculated by discounting with an appropriate index such as the yield on government bonds over the period of time projected for recovery.

(4) Guarantee deposits

The present value of future cash flow is calculated by discounting with an appropriate index such as the yield on government bonds.

Liabilities

(1) Notes and accounts payable and (2) short term borrowings from affiliates

Since these are settled in the short term, the market price is almost the same as the book value. Thus, book value is used.

(3) Bonds with share options

Bonds with share options issued by the Company do not pay interest. Since the credit condition of the Company has not changed significantly following issuance, the market price is believed to be close to the book value. Thus, book value is used.

(Note) 2. The following are financial instruments for which obtaining a market price is highly problematic.

(Unit: ¥1,000)

Classification	Amount Posted on Balance Sheet
Security Deposits	521,242

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market value for some of the security deposits is indicated since a reasonable estimate of the time for their return is not possible and obtaining a market price is highly problematic.

(Notes Concerning Leased Real Estate)

1. Matters pertaining to conditions of real estate for rent

The company holds stores for lease (including land) in Aichi Prefecture and other areas.

2. Matters pertaining to market prices of real estate for rent

(Unit: ¥1,000)

Amount Posted on Balance Sheet	Market Price
897,101	879,924

(Note) 1. The amounts posted in the balance sheet are the amounts after deducting the amount of cumulative depreciation and amount of cumulative impairment losses from acquisition cost. The amounts posted in the balance sheet also include an amount of ¥3,333,000 which is the cost of retirement associated with the asset retirement obligations.

(Note) 2. The market prices at the end of the term are amounts based on a real estate appraisal report (including adjustments made using indices, etc.) prepared by an outside real estate appraiser.

(Notes Concerning Gains and Losses by the Equity Method)

No applicable items.

(Notes Concerning Tax Effecting Accounting)

Itemization of Occurrence of Deferred Tax Credits and Liabilities

(Unit: ¥1,000)

(1) Current Assets	
Deferred tax assets	
Allowance for doubtful accounts	6 , 0 2 0
Provision for bonuses	5 , 6 8 2
Accrued enterprise taxes	2 , 7 5 2
Accrued expenses	7 , 5 4
Unearned revenue	3 4 , 7 2 2
Accrued taxes	2 , 9 1 0
Other	1 , 1 6 7
<hr/>	
Subtotal deferred tax assets	5 4 , 0 1 0
Provision for valuation	(5 4 , 0 1 0)
<hr/>	
Total tax assets	-
Deferred tax liabilities	
Prepaid expenses	(3 5 0 , 0 0 0)
<hr/>	
Total deferred tax liabilities	(3 5 0 , 0 0 0)
Net deferred tax liabilities	(3 5 0 , 0 0 0)
(2) Noncurrent Assets	
Deferred tax assets	
Depreciable assets	3 4 0 , 5 5 4
Allowance for doubtful accounts	5 8 , 1 9 1
Land	5 5 , 6 8 8
Leasehold rights	9 , 9 0 3
Guarantee deposits	1 , 4 5 6
Unearned revenue	3 1 , 9 6 2
Asset retirement obligations	3 1 , 1 8 6
Assets depreciable in lump sum	1 , 1 2 4
Deferred losses	9 5 7 , 9 0 6
Other	3 , 8 3
<hr/>	
Subtotal tax deferred credits	1 , 4 8 8 , 3 5 6
Provision for valuation	(1 , 4 8 8 , 3 5 6)
<hr/>	
Total deferred tax credits	-
Deferred tax liabilities	
Cost of retirement for asset retirement obligations	(9 , 6 4 0)
<hr/>	
Total deferred tax liabilities	(9 , 6 4 0)
Net deferred tax liabilities	(9 , 6 4 0)
<hr/>	

(Notes Concerning Transactions with Related Parties)

1. Parent Company and Significant Corporate Shareholders

Type	Name of Company	Location	Capital (¥1,000)	Content of Business	Ratio of Voting Rights (Coverage) (%)	Relationship With Related Party	Content of Transaction	Transaction Amount (¥1,000)	Account	Balance at End of Term (¥1,000)
Parent Company	G. communications Co., Ltd..	Kita-ku, Nagoya City,	5,254,010	Group holdings company consulting business	(Coverage) Direct 48.8	Business Entrustment Agreement	Borrowing of funds *1 Payment of Interest	840,000 69	Short term borrowing from affiliate Accrued expenses	840,000 69

(Note)

- Amounts stated do not include consumption taxes applicable to transactions. Consumption taxes are included in the balance at end of term.
- Decision-making policy, etc. for transaction and transaction conditions.
 - *1 The rate of interest for borrowings is reasonably determined based on market interest rates. No collateral is involved.

2. Sister Companies, Etc.

Type	Name of Company	Location	Capital (¥1,000)	Content of Business	Ratio of Voting Rights (Coverage) (%)	Relationship With Related Party	Content of Transaction	Transaction Amount (¥1,000)	Account	Balance at End of Term (¥1,000)
Subsidiary of Parent Company	B. Supply Co., Ltd..	Tokyo, Toshiki-ku	50,000	Entrustment business for all phases of operation and management for dining manufacturing	None	Stocking of food materials, etc.	Stocking of food materials *1	1,397,716	Notes and accounts payable	161,886

(Note)

- Amounts stated do not include consumption taxes applicable to transactions. Consumption taxes are included in the balance at end of term.
- Decision-making policy, etc. for transaction and transaction conditions.
 - *1 Transaction conditions such as price are determined after negotiations on a case by case basis based on prevailing market prices.

(Notes Concerning Per-Share Information)

Net assets per share: ¥68.06
Current net assets per share: ¥3.12

(Notes Concerning Material Subsequent Events)

- At the meeting of the Board of Directors held on May 15, 2013, a resolution was passed to conduct a joint incorporation-type company split of the respective restaurant operation businesses of G.taste Co., Ltd. (“G.taste”), G.networks CO., LTD. (“G.networks”) and the Company to establish Cook Operation Co., Ltd. (“Cook Operation”) with an effective date of August 1, 2013.

(1) Purpose of the joint incorporation-type company split

The purpose of this action is to delegate authority to the business operation subsidiary to be formed by this demerger over the portion of the food service business being operated by the combination of the three companies consisting of the direct restaurant business in order to accurately seize upon the changing wishes and lifestyles of consumers, respond to the trends and conditions present at competing stores, and respond flexibly to the changing environment.

(2) Method for conducting the joint incorporation-type company split

A company split will be conducted by the combined three companies to jointly establish Cook Operation as a new company by a joint-incorporation-type company split.

(3) Summary of new company established by the joint incorporation-type company split

Trade Name:	Cook Operation Co., Ltd.
Location of Head Office:	Nagoya, Kita-ku
Name of Representative:	Takafumi Akutsu, Director; Fumiyasu Inayoshi, Director
Amount of Capital:	¥50,000,000
Content of Business:	Operation of restaurants

(4) Summary of accounting procedures to be implemented

Since this action will result in G.communications Co., Ltd. becoming the parent company of all the three companies upon their integration, it is expected that transactions, etc. will be under common control.

2. At the meeting of the Board of Directors held on May 15, 2013, a resolution was passed to conduct an absorption-type merger effective August 1, 2013 of G.taste, G.networks and the Company with G.taste to be the surviving company. The following is a summary of the merger.

(1) Purpose of the merger

The purpose of combining the operations of G.taste, G.networks and the Company will be to promote the standardization of transaction relationships nationwide that include stocking and distribution, create an integrated system of operation and management, strengthen competitiveness by concentrating managerial resources and raising efficiency, expand sales and improve the rate of profitability.

(2) Method for conducting the merger

An absorption-type merger will be conducted with G.taste as the surviving company and G.networks and the Company as the companies absorbed in the merger.

(3) Basis for calculating the allotment details pertaining to the merger

To ensure fairness and appropriateness concerning the merger ratios, the three companies each hired a third-party appraiser that is independent from each of the others to calculate the merger ratios. G.taste hired Albaace Securities Co., Ltd., G.networks hired Frontier Management Co., Ltd., and the Company hired Matsuyama Accounting Firm. With regard to the calculation, since market prices exist for the common stock of each of the three companies, a method that averages the stock prices will be employed with the calculation carried out by means of this method.

(4) Summary of the surviving company in the merger

Trade Name:	G.taste Co., Ltd.
Location of Head Office:	Sendai, Miyagino-ku
Name of Representative:	Hideo Sugimoto, Representative Director and President (to be appointed on August 1, 2013); Fumiyasu Inayoshi, Representative Director and Vice President (currently Representative Director and President)
Amount of Capital:	¥1,785,000,000 (as of end of March 2013)
Content of Business:	Direct operation of restaurants, franchise business, education and training business (as of end of March 2013)

(5) Summary of accounting procedures to be implemented

Since this action will result in G.communications Co., Ltd. becoming the parent company of all three companies upon their integration under the Accounting Standard for Business Combination, transactions will be under common control and, thus, there is an expectation that no goodwill will accrue.

(Other Notes)

1. Notes concerning impairment losses

The Company posted impairment losses with respect to the following asset group for the fiscal year.

Use	Type	Location	Impairment Loss	In
Stores	Buildings, etc.	4 buildings in Suzuka City, Mie Prefecture, etc.	¥81,236,000	recognizing

impairment losses, the Company designates the store as the basic unit for the minimum unit that generates cash flow. For leased assets and idle assets, the grouping is for each building unit. For the head office, the grouping is as assets for the Company as a whole.

With respect to stores and leased assets, where profit and loss is continuing to be generated from sales activity, the book values of asset groups that are negative or expected to be negative are reduced to the recoverable amounts. With respect to idle assets and other assets, the book values of asset groups for which there is no expectation of future use are reduced to the recoverable amounts. The amounts of such reductions are booked to extraordinary losses as impairment losses.

(Itemization of Impairment Losses)

Type	Amount (¥1,000)
Buildings	69,195
Structures	6,694
Furniture and fixtures	4,908
Telephone subscription rights	436
Total	81,236

The recoverable amounts for asset groups are measured by means of net sale value.

Valuation of net sale value is conducted by means of the amount calculated based on the expected price to be received upon disposition.

2. Notes concerning asset retirement obligations

Items of the asset removal liability posted to the balance sheet

(1) Summary of asset retirement obligations

There is an obligation to restore stores and land for use by stores to their original condition under the real estate lease agreements.

(2) Method for calculating amount of asset retirement obligations

The expected number of years of use is used for estimating the economic lives in number of years for the subject buildings. A discounting rate of between 0.727% and 2.293% is used for calculating the asset retirement obligations.

(3) Change of total amount of asset retirement obligations for the fiscal year

	(¥1,000)
Balance at start of term	86,632
Increase from acquisition of property plant and equipment	5,087
Increase from change of estimate	2,559
Adjustment from the passage of time	1,596
Decrease from performing asset retirement obligations	3,400
Transfer from exclusion of performance obligation	4,650
Balance at end of term	87,825

ACCOUNTING AUDITOR'S AUDIT REPORT CERTIFIED COPY

INDEPENDENT AUDITOR'S AUDIT REPORT

May 21, 2013

To: Board of Directors
SAKAI CO., LTD.

Nagisa & Co.

Representative	Hiroo Nishii	
Partner	Certified Public	[Seal]
Executive Officer	Accountant	
Representative	Yutaka Ohira	
Partner	Certified Public	[Seal]
Executive Officer	Accountant	

The audit firm conducted an audit pursuant to Article 436(2)i of the Companies Act of the financial statements of SAKAI CO., LTD. for the 33rd fiscal year covering the period from April 1, 2012 through March 31, 2013 consisting of the Balance Sheet, Statements of Income, Statements of Changes in Net Assets and supporting documentation.

Responsibility of business operators for financial documentation

Business operators are responsible for preparing financial statements and supporting documentation in conformity with corporate accounting standards that are generally accepted as fair and appropriate in Japan and disclose the same properly. This responsibility includes establishing and operating a system of internal controls as judged to be necessary by the business operators for preparing and properly disclosing financial statements and supporting documentation that contain no material false disclosures from inaccuracies or errors.

Responsibility of auditor

The audit firm is responsible for providing an opinion on the financial statements and supporting documentation from an independent position based on auditing conducted by the firm in conformity with standards that are generally accepted as fair and appropriate in Japan. The standards for auditing require that an audit plan be formulated and that auditing be conducted based thereon to provide reasonable assurance for the audit firm as to whether or not the financial statements and supporting documentation contain any material falsehoods.

Auditing involves procedures undertaken in order to obtain evidence for inspection concerning the amounts and disclosures contained in the financial statements and supporting documentation. The auditing procedures prescribe that the audit firm makes selections and applications at its discretion based on an assessment of the risk of material false disclosures from inaccuracies or errors contained in the financial statements and supporting documentation. While the purpose of an audit is not to provide an opinion regarding the effectiveness of internal controls, in conducting a risk assessment, the audit firm has reviewed the system of internal controls relating to the preparation of and proper disclosure in the financial statements and supporting documentation in order to draft appropriate audit procedures that are based on the situation. Auditing also included a review of the overall disclosures made in the financial statements and supporting documentation that also encompassed an assessment of the accounting policies adopted by the business operator, the method by which such policies are implemented and estimates conducted by the business operator.

The audit firm has determined that it has obtained evidentiary materials that are sufficient and proper to serve as a basis for expressing an opinion.

Audit opinion

It is the opinion of this firm that the disclosures provided in the aforementioned financial statements and supporting documentation are in conformity with standards that are generally accepted as fair and appropriate in Japan with respect to all material points with regard to the condition of

property, profits and losses for the term pertaining to said financial statements and supporting documentation.

Points for emphasis

1. As stated in the Notes Concerning Material Subsequent Events, at the meeting of its Board of Directors held on May 15, 2013, the Company resolved to conduct a joint incorporation-type company split among itself, G.taste Co., Ltd. and G.networks CO., LTD. with an effective date of August 1, 2013 whereby their respective restaurant operations will be assumed by Cook Operation Co., Ltd.
2. As stated in the Notes Concerning Material Subsequent Events, at the meeting of its Board of Directors held on May 15, 2013, the Company resolved to conduct an absorption merger among itself, G.taste Co., Ltd. and G.networks CO., LTD. with an effective date of August 1, 2013 with G.taste Co., Ltd. to be the surviving company.

Neither of the above-mentioned events has affected the conclusions of the audit firm.

Conflicts of interest

There exist no conflicts of interest between the Company and the audit firm or its executive officers that must be stated under the provisions of the Certified Public Accountants Act.

End

TRANSCRIPT OF THE BOARD OF AUDITORS' AUDIT REPORT

AUDIT REPORT

Pursuant to deliberations, the Board of Auditors has prepared the following report representing the unanimous opinion of all the auditors based on audit reports prepared by auditors in relation to the performance of duties by directors for the 33rd fiscal year covering the period from April 1, 2012 through March 31, 2013.

1. Methodology and content of auditing by the auditors and Board of Auditors

In addition to prescribing the policy for audits, division of duties and other matters pertaining thereto as well as obtaining reports from the auditors regarding the status and findings from audits, the Board of Auditors has obtained reports from the directors and accounting auditor concerning the performance of their duties, and has also requested explanations as necessary.

The auditors have attempted to communicate with the directors, internal audit sections, employees and other parties in conformity with the standards for auditing prescribed by the Board of Auditors and in accordance with the policy and division of duties for auditing. In addition to gathering information and striving to create the environment for inspections, auditors also attended meetings of the Board of Directors and other important meetings, obtained reports from directors and employees concerning the performance of their duties with additional explanations requested when necessary, reviewed important settlement and other documentation, and examined the status of business operations and property at the head office and key business offices. Additionally, with respect to the content of resolutions passed by the Board of Directors concerning the establishment of procedures prescribed in Article 100(1) and 100(3) of the Ordinance for Enforcement of the Companies Act as measures necessary to ensure the integrity of the system for ensuring that the performance of duties by directors stated in the business reports is in conformity with applicable laws and the Articles of Incorporation and the propriety of other business performed as a joint stock company as well as the actual system created pursuant to these resolutions (internal control system), regular reports are obtained from directors and employees regarding the status of its creation and operation with additional explanations requested when necessary, and opinions are provided with respect thereto. The business reports and supporting documentation pertaining to the fiscal year have been reviewed based on the above-mentioned methodology.

In addition to conducting oversight and verification that the accounting auditor is maintaining an independent position and whether auditing is conducted properly, reports have been obtained from the accounting auditor concerning the performance of its duties with additional explanations requested when necessary. Notices have also been obtained from the accounting auditor to the effect that a "system for ensuring that the performance of duties is being conducted properly" (matters stated in the subparagraphs of Article 131 of the Ordinance on Company Accounting) has been established in accordance with the "Quality Control Standards Concerning Auditing" (Business Accounting Council, October 28, 2005) and other guidelines with additional explanations requested when necessary. The financial statements (Balance Sheet, Profit and Loss Statement, Statement of Change of Shareholders' Equity) and supporting documentation pertaining to the fiscal year have been reviewed based on the above-mentioned methodology.

2. Audit Results

(1) Audit results from business reports and other materials

- i. The business reports and supporting documentation are recognized as correctly reflecting the condition of the Company in accordance with applicable laws and the Articles of Incorporation.

- ii. No material facts constituting inappropriate conduct or a violation of applicable laws or the Articles of Incorporation were found to exist in relation to the performance of duties by directors.
 - iii. The content of resolutions of the Board of Directors pertaining to the internal control system was found to be appropriate. Additionally, no matters of concern were found to exist with respect to the content of business reports pertaining to the internal control system and performance of duties by directors.
- (2) Audit results from financial statements and supporting documentation
The methodology of auditing conducted by the accounting auditor and Nagisa & co. and the findings therefrom were found to be appropriate.

May 24, 2013

SAKAI CO., LTD., Board of Auditors

Tomohisa Mamiya, Statutory Auditor

[Seal]

Kayoko Sato, External Auditor

[Seal]

Akifumi Kajiura, External Auditor

[Seal]

Takao Kurokawa, External Auditor

[Seal]

End

(2) Joint Incorporation-Type Split Plan

Joint Incorporation-type Company Split Plan

G.taste Co., Ltd. (hereinafter "G.taste"), G.networks CO., LTD. (hereinafter "G.networks"), and SAKAI CO., LTD. (hereinafter "SAKAI"), shall create the following joint incorporation-type company split plan (hereinafter referred to as "the Plan") for performing an incorporation-type company split (hereinafter "the Split") in which the new jointly incorporated company succeeds the rights and obligations of the restaurant management business conducted by G.taste (hereinafter "G.taste business"), the restaurant management business conducted by G.networks (hereinafter "G.networks business"), and the restaurant management business conducted by SAKAI (hereinafter "SAKAI business").

Article 1 (Company Incorporated through Incorporation-type Company Split)

1. The name and address of the company incorporated through incorporation-type company split (hereinafter referred to as "the incorporated company") shall be as follows.

(Trade name) Cook Operation Co., Ltd.

(Location of the head office) Nagoya-shi, Aichi

2. In addition to the preceding paragraph, the purpose of the incorporated company, the total number of authorized shares, and other matters specified in the articles of incorporation are as stated in Attachment 1 "Articles of Incorporation".

Article 2 (Names of the Directors at the Time of Establishment of the Incorporated Company)

The directors at the time of establishment of the incorporated company shall be as follows.

Takafumi Akutsu, Director

Fumiyasu Inayoshi, Director

Article 3 (Rights and Obligations Succeeded through the Split)

1. The incorporated company shall assume the assets, debts, contracts and other rights and obligations shown in Attachment 2 "Details of Assumed Rights and Obligations" from G.taste, G.networks and SAKAI on the date of conclusion (defined in Article 6; hereinafter the same).
2. The assumption of obligations under the preceding paragraph shall be cumulative taking of obligations.

Article 4 (Class and Number of Shares Delivered in the Split of the Incorporated Company)

The class and number of the shares issued in the Split of the incorporated company shall be 26,000 common shares, with 10,000 shares being allotted to G.taste, 9,000 to G.networks, and 7,000 to SAKAI.

Article 5 (Matters Relevant to the Capital and Capital Reserve of the Incorporated Company)

Matters relevant to the capital and capital reserve of the incorporated company shall be as follows. However, this may be changed based on conditions such as the assets and liabilities of G.taste, G.networks and SAKAI on the day before the date of conclusion.

- (1) Amount of capital 50,000,000 yen
- (2) Amount of capital reserve 0 yen
- (3) Amount of other capital surplus The amount obtained by deducting the sum of the amount in (1) and (2) above from the change in shareholder equity (referring to the change in shareholder equity calculated in accordance with the provisions in Article 51 of the Ordinance on Accounting of Companies)
- (4) Amount of retained earnings reserve 0 yen

Article 6 (Date of Establishment of the Incorporated Company)

The date of establishment of the incorporated company shall be August 1, 2013 (hereinafter referred to as "date of conclusion"), and the incorporated company shall apply for registration of incorporation on the same day. However, if necessary in the course of procedures, or if necessary for another reason, this may be changed based on deliberation and agreement between G.taste, G.networks and SAKAI.

Article 7 (Duty of Care of a Prudent Manager)

- 1. G.taste, G.networks and SAKAI shall each maintain and manage the businesses to be assumed by the succeeding company with the due care of a prudent manager for the period from the creation of the Plan until the date of conclusion.
- 2. G.taste, G.networks and SAKAI shall perform any acts with a material effect on businesses to be assumed by the succeeding company from the creation of the Plan until the date of conclusion based on deliberation and agreement between G.taste, G.networks and SAKAI.

Article 8 (Absence of Obligation Not to Compete)

- 1. G.taste shall not have any obligation not to compete based on Article 21 of the Companies Act with regard to G.tastes's business after the date of conclusion.
- 2. G.networks shall not have any obligation not to compete based on Article 21 of the Companies Act with regard to G.networks's business after the date of conclusion.
- 3. SAKAI shall not have any obligation not to compete based on Article 21 of the Companies Act with regard to SAKAI's business after the date of conclusion.

Article 9 (Amendment or Cancellation of the Plan)

G.taste, G.networks and SAKAI shall change the Plan or cancel the Split based on deliberation and agreement between G.taste, G.networks and SAKAI if a serious event occurs or is revealed, which impedes the execution of the Split according to the Plan (including cases in which matters revealed prior to the creation of the Plan are revealed to be material after the creation of the Plan) during the period between the creation of the Plan and the date of conclusion.

Article 10 (Effect of the Plan)

The Plan shall no longer be effective if approval from the relevant government agencies, specified in laws and regulations as being required for the execution of the Plan, is not obtained.

Article 11 (Other Matters)

Other matters required for the Split that are not stipulated in the Plan shall be determined by deliberation between G.taste, G.networks and SAKAI in accordance with the intent of the Split.

May 15, 2013

G.taste
2-10 Tsutsujigaoka 2-chome, Miyagino-ku, Sendai City
G.taste Co., Ltd.
Fumiyasu Inayoshi, Representative Director and President

G.networks
1198-4 Aza Nishiotsuka Oaza, Nishi Takadomari, Sanyo Onoda City, Yamaguchi
Prefecture
G.networks CO., LTD.
Takafumi Akutsu, Representative Director and President

SAKAI
46 Kurokawa Hondori 2-chome, Kita-ku, Nagoya City
SAKAI CO., LTD.
Atsushi Yamashita, Representative Director and President

Articles of Incorporation

Chapter 1 General Provisions

- Article 1 (Trade Name)
The company shall be called Cook Operation Co., Ltd.
- Article 2 (Purpose)
The purpose of the Company is to conduct the following businesses.
(1) Guidance of management of restaurants via franchise chain and management of restaurants

(2) All operations associated with or related to the previous items, and other businesses necessary for achieving the purpose of the previous items
- Article 3 (Address of the Head Office)
The Company's head office shall be located in Nagoya City, Aichi Prefecture.
- Article 4 (Organizations)
The Company shall have a general shareholders' meeting and directors.
- Article 5 (Method of Public Notice)
The Company's method of public notice shall be to publish in official gazettes.

Chapter 2 Shares

- Article 6 (Total Number of Authorized Shares)
The total number of authorized shares of the Company shall be 100,000 shares.
- Article 7 (Non-issuance of Share Certificates)
Share certificates shall not be issued for the Company's shares.
- Article 8 (Restrictions on the Transfer of Shares)
Acquisition of the Company's shares by transfer shall require approval of the general shareholders' meeting.

Chapter 3 General Shareholders' Meeting

- Article 9 (Convocation of the General Shareholders' Meeting)
The Company's ordinary general shareholders' meetings shall be convened within three months of the end of each business year, and extraordinary general shareholders' meetings shall be convened as required.
- Article 10 (Record Date of the Ordinary General Shareholders' Meeting)
The record date for voting rights in the Company's ordinary general shareholders' meetings shall be March 31 of each year.
- Article 11 (Convenor and Chairperson)
General shareholders' meetings shall be convened by directors unless otherwise provided for by laws and regulations. The general shareholders' meeting shall be chaired by the director who convened it.

Article 12 (Convocation Notices)

1. Convocation notices for general shareholders' meetings shall be sent to each shareholder able to exercise voting rights no later than 2 days before the date of the general shareholders' meeting. However, the above period can be shortened when there is consent among all shareholders able to exercise voting rights.
2. When there is consent among all shareholders able to exercise voting rights, the general shareholders' meeting may be held without convocation procedures unless otherwise provided for by laws and regulations or the articles of incorporation.

Article 13 (Method of Resolution)

1. Resolutions of the general shareholders' meetings shall be made by a majority of votes of attending shareholders able to vote where shareholders holding a majority of votes of shareholders able to vote are in attendance, unless otherwise provided for by laws and regulations or the articles of incorporation.
2. Resolutions pursuant to Article 309 Paragraph 2 of the Companies Act shall be made by 2/3 of the votes with no less than half of the votes of shareholders able to vote in attendance.

Article 14 (Proxy Voting)

Shareholders may exercise voting rights by proxy. In such cases, the shareholder or proxy must provide the Company with documentation proving the right of proxy for each general shareholders' meeting.

Article 15 (Minutes)

Minutes of the general shareholders' meeting shall be created as provided for by laws and regulations, and the Company shall hold these in safekeeping.

Chapter 4 Directors

Article 16 (Number of Directors)

The Company shall have 1 or more directors.

Article 17 (Appointment)

1. Directors shall be appointed by the general shareholders' meeting.
2. Resolutions to appoint directors shall be made by a majority of votes with no less than half of the votes of shareholders able to vote in attendance.
3. Cumulative voting shall not be used for the appointment of directors.

Article 18 (Term of Office of Directors)

1. The term of office of directors shall be until the conclusion of the ordinary general shareholders' meeting concerning the final business year ending within 1 year of their appointment.
2. The term of office of a director appointed as a replacement for a director who has stepped down before the expiration of the term of office and the term of office of a director appointed to increase the number of directors shall be until the term of office of the previous director or the other directors in office.

Article 19 (Representative of the Company)

Each director shall represent the Company.

Article 20 (Directors' Compensation, etc.)

The compensation, bonuses and other financial gains received by directors in exchange for performance of duties shall be determined based on resolutions by the general shareholders' meeting.

Chapter 5 Accounting

Article 21 (Business Year)

The Company's business year shall be from April 1 each year until March 31 the following year.

Article 22 (Dividend of Surplus)

1. The year-end dividend made as a dividend of surplus shall be paid to shareholders and registered pledgees of shares stated or recorded in the final shareholder registry on the last day of each business year.
2. In addition to the preceding paragraph, the Company may specify a record date and pay a dividend of surplus to shareholders and registered pledgees of shares stated or recorded in the final shareholder registry on the record date.

Article 23 (Period of Exclusion of Dividends)

If dividend property is monetary, the Company shall be exempt from the obligation for payment thereof when it has not been accepted for three years from the date payment commenced.

Chapter 6 Supplementary Provisions

Article 24 (First Business Year)

The Company's first business year shall be from the day of incorporation of the Company until March 31, 2014.

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Attachment 2

Details of Assumed Rights and Obligations

The assets, debt, contracts and other rights and obligations assumed by the incorporated company from G.taste, G.networks and SAKAI through the Split concluded on August 1, 2013 shall be as follows.

Of the rights and obligations assumed, the valuation of assets and liabilities shall be based on the balance sheets of G.taste, G.networks and SAKAI for March 31, 2013, and shall be determined after adjustment until the day before the date of conclusion.

1. Assets, debt, contracts and other rights and obligations assumed from G.taste.

(1) Assets

The following assets pertaining to the business on the date of conclusion

1) Current assets

Cash, accounts receivable-trade, accounts receivable-other and inventories pertaining to the directly operated stores in the attachment

Deposits (The amount of deposits subject to the Split shall be the amount rationally calculated to make the amount of net assets assumed by the incorporated company from G.taste to be 100 million yen.)

Deferred tax assets

2) Fixed assets

(i) Tangible assets

Machinery, vehicles, tools, instruments, supplies and low-value depreciable assets pertaining to the directly operated stores in the attachment

(ii) Intangible assets

Telephone subscription rights, rights of using facilities and software pertaining to the directly operated stores in the attachment

(2) Liabilities

The following liabilities pertaining to the business on the date of conclusion

1) Current liabilities

Accounts payable-trade and accounts payable-other pertaining to the directly operated stores in the attachment

Unearned revenue

(3) Contracts, etc. (employment contracts, etc. are described in (4))

All contracts pertaining to the business (excluding, however, real estate lease contracts and leasing agreements pertaining to the business.) All rights and obligations arising based upon the above status and said contracts

(4) Employment contracts, etc.

The status of G.taste's employees engaged in the business on the date of conclusion of the Split under employment contracts, and the rights and obligations arising from said contracts shall not be assumed by the incorporated company, and G.taste shall second the employees of G.taste engaged in the business on the date of conclusion of the Split to the incorporated company while retained by G.taste, and have them engage in the business at the incorporated company. The secondment period and other conditions concerning secondment of the seconded employees shall be determined based upon deliberation between G.taste and the incorporated company.

(5) Assumed permits, etc.

All licenses, authorization, approval and registration, etc. held on the date of conclusion by G.taste in relation to the business that can be legally assumed.

2. Assets, debt, contracts and other rights and obligations assumed from G.networks.

(1) Assets

The following assets pertaining to the business on the date of conclusion

1) Current assets

Cash, accounts receivable-trade and inventories pertaining to the directly operated stores in the attachment

Deposits (The amount of deposits subject to the Split shall be the amount rationally calculated to make the amount of net assets assumed by the incorporated company from G.networks to be 100 million yen.)

Deferred tax assets

2) Fixed assets

(i) Tangible Assets

Machinery, vehicles, tools, instruments, supplies and low-value depreciable assets pertaining to the directly operated stores in the attachment

(ii) Intangible assets

Telephone subscription rights and rights of using facilities pertaining to the directly operated stores in the attachment

(2) Liabilities

The following liabilities pertaining to the business on the date of conclusion

1) Current liabilities

Accounts payable-trade and accounts payable-other pertaining to the directly operated stores in the attachment

Unearned revenue

2) Fixed liabilities

Long-term unearned revenue

(3) Contracts, etc. (employment contracts, etc. are described in (4))

All contracts pertaining to the business (excluding, however, real estate lease contracts and leasing agreements pertaining to the business.) All rights and obligations arising based upon the above status and said contracts

(4) Employment contracts, etc.

The status of G.networks' employees engaged in the business on the date of conclusion of the Split under employment contracts, and the rights and obligations arising from said contracts shall not be assumed by the incorporated company, and G.networks shall second the employees of G.networks engaged in the business on the date of conclusion of the Split to the incorporated company while retained by G.networks, and have them engage in the business at the incorporated company. The secondment period and other conditions concerning secondment of the seconded employees shall be determined based upon deliberation between G.networks and the incorporated company.

(5) Assumed permits, etc.

All licenses, authorization, approval and registration, etc. held on the date of conclusion by G.networks in relation to the business that can be legally assumed.

3. Assets, debt, contracts and other rights and obligations assumed from SAKAI.

(1) Assets

The following assets pertaining to the business on the date of conclusion

1) Current assets

Cash, accounts receivable-trade and inventories pertaining to the directly operated stores in the attachment

Deposits (The amount of deposits subject to the Split shall be the amount rationally calculated to make the amount of net assets assumed by the incorporated company from SAKAI to be 100 million yen.)

2) Fixed assets

(i) Tangible Assets

Tools, instruments, supplies and low-value depreciable assets pertaining to the directly operated stores in the attachment

(ii) Intangible assets

Telephone subscription rights and rights of using facilities pertaining to the directly operated stores in the attachment

(2) Liabilities

The following liabilities pertaining to the business on the date of conclusion

1) Current liabilities

Accounts payable-trade and accounts payable-other pertaining to the directly operated stores in the attachment

Unearned revenue

2) Fixed liabilities

Long-term unearned revenue

(3) Contracts, etc. (employment contracts, etc. are described in (4))

All contracts pertaining to the business (excluding, however, real estate lease contracts and leasing agreements pertaining to the business.) All rights and obligations arising based upon the above status and said contracts

(4) Employment contracts, etc.

The status of SAKAI's employees engaged in the business on the date of conclusion of the Split under employment contracts, and the rights and obligations arising from said contracts shall not be assumed by the incorporated company, and SAKAI shall second the employees of SAKAI engaged in the business on the date of conclusion of the Split to the incorporated company while retained by SAKAI, and have them engage in the business at the incorporated company. The secondment period and other conditions concerning secondment of the seconded employees shall be determined based upon deliberation between SAKAI and the incorporated company.

(5) Assumed permits, etc.

All licenses, authorization, approval and registration, etc. held on the date of conclusion by SAKAI in relation to the business that can be legally assumed.

Attachment

List of Directly Operated G.taste Stores to be Assumed

Store name	
Heiroku Sushi Sendai Aoba Masaoka-dori Store	Heiroku Sushi Miyagi Wakuya Store
Heiroku Sushi Miyagi Iwanuma Store	Heiroku Sushi Miyagi Kami Nakaniida Store
Sendai Getaya Sendai Aoba Kokubun-cho Store	Heiroku Sushi Miyagi Kurihara Wakayanagi Store
Heiroku Sushi Sendai Wakabayashi 6-chome Store	Heiroku Sushi Miyagi Shiogama Suginoiri Store
Heiroku Sushi Sendai Izumi-shi Nasaka Store	Heiroku Sushi Miyagi Shibata Funaoka Store
Heiroku Sushi Sendai Aoba Ichiban-cho Store	Ouu Sushi Seisakusho Akita Senboku Kakunodate Store
Heiroku Sushi Miyagi Okawara Store	Ajikou Sapporo Chuo Susukino Store
Heiroku Sushi Sendai Taihaku Nishitaga Store	Heiroku Sushi Sapporo Nishi Hachiken Store
Heiroku Sushi Sapporo Shiroishi Kikusui Motomachi Store	Heiroku Sushi Iwate Ninohe Store
Heiroku Sushi Sapporo Kita Taihei Store	Heiroku Sushi Fukushima Sukagawa Store
Heiroku Sushi Sapporo Atsubetsu Sunpiazza Store	Heiroku Sushi Miyagi Osaki Furukawa Minami Store
Heiroku Sushi Miyagi Ishinomaki-higashi Nakazato Store	Heiroku Sushi Miyagi Tomiya Akaishidai Store
Heiroku Sushi Sapporo Chuo Susukino Store	Heiroku Sushi Iwate Morioka Mitake Store
Heiroku Sushi Sendai Taihaku Minami-Sendai Store	Ouu Sushi Seisakusho Iwate Kuji Store
Heiroku Sushi Miyagi Natori-Kita Store	Heiroku Sushi Sapporo Higashinaebo Store
Heiroku Sushi Sendai Izumi Nakayama Store	Heiroku Sushi Fukushima Yabuki Store
Heiroku Sushi Sendai Aoba Clisroad Store	Heiroku Sushi Sendai Aoba Ayashi Store
Heiroku Sushi Miyagi Kurihara Tsukidate Store	Heiroku Sushi Hokkaido Asahikawa Store
Heiroku Sushi Yamagata Sagae Store	Heiroku Sushi Sendai Miyagino Shinden-higashi Store
Heiroku Sushi Sendai Aoba Uesugi Store	Heiroku Sushi Hokkaido Tomakomai Store
Heiroku Sushi Miyagi Taiwa Yoshioka Store	Heiroku Sushi Sendai Miyagino Tsutsujigaoka Store
Heiroku Sushi Fukushima Yanome Store	Heiroku Sushi Sendai Aoba Hachiman-cho Store
Heiroku Sushi Fukushima Shirakawa Store	Heiroku Sushi Aomori Hachinohe Store
Heiroku Sushi Yamagata Higashine Store	Heiroku Sushi Sendai Izumi Park Town Tapio Store
Heiroku Sushi Miyagi Shiraishi Store	Ouu Sushi Seisakusho Iwate Ohshu Esashi Store
Heiroku Sushi Miyagi Misato Kogota Store	Heiroku Sushi Tokyo Shibuya Omotesando Store
Heiroku Sushi Miyagi Tagajo Nishi Store	Heiroku Sushi Tokyo Machida Store
Heiroku Sushi Miyagi Rifu Store	Heiroku Sushi Tokyo Shinjuku Okubo Store
Heiroku Sushi Fukushima Koriyama Yatsuyamada Store	Heiroku Sushi Tokyo Kita-Akabane Store
Ouu Sushi Seisakusho Iwate Morioka Tsushida Store	Heiroku Sushi Yokohama Naka Isezakicho Store

Store name	
Heiroku Sushi Tokyo Toshima Ikebukuro-nishiguchi Store	Mou boo Dining Shijo Omiya Store
Heiroku Sushi Kanagawa Atsugi Store	Mou boo Dining Kanagawa Odawara Store
Heiroku Sushi Saitama Toda Store	Tokyo Yamitsuki Sakaba Kanagawa Kannai Store
Sendai Getaya Chiyoda Marunouchi Tokia Store	Toriaezu Gohei Ishikawa Komatsu Store
Heiroku Sushi Tokyo Edogawa Koiwa-minamiguchi Store	Toriaezu Gohei Toyama Iino Store
Heiroku Sushi Tokyo Katsushika Kanamachi Store	Toriaezu Gohei Ishikawa Hakusan Matsuto Store
Heiroku Sushi Tokyo Katsushika Kameari Store	Toriaezu Gohei Ishikawa Nonoichi Oshino Store
Takuhai Heiroku Sendai Izumichuo Store	Toriaezu Gohei Ishikawa Kanazawa Kuratsuki Store
Omuraisu Tei Ishikawa Apita Matto Store	Toriaezu Gohei Toyama Ekimae Main Store
Antonio Inoki Saka-bar Tokyo Shinjuku Store	Toriaezu Gohei Toyama Nakagawara Store
Tori Backs Hamamatsu Nishi-ibanosu	Toriaezu Gohei Fukui Kaihotsu Store
Tenteketen Saitama Nisshin Store	Toriaezu Gohei Toyama Takaoka Yotsuya Store
Tenteketen Saitama Kitamoto Store	Toriaezu Gohei Ishikawa Kanazawa Takayanagi Store
Tenteketen Tokyo Higashimurayama Store	Toriaezu Gohei Nagano Kawanakajima Store
Enya Tokyo Nakano Store	Toriaezu Gohei Toyama Kurose Store
Enya Tokyo Shimokitazawa Store	Toriaezu Gohei Ishikawa Kanazawa Shinkanda Store
Enya Tokyo Shinkoenji Store	Toriaezu Gohei Fukui Sabae Store
Enya Tokyo Yotsuya Store	Toriaezu Gohei Toyama Takaoka-eki Minami Store
Enya Tokyo Ogikubo Store	Toriaezu Gohei Sendai Miyagino Shinden-higashi Store
Enya Tokyo Chofu Store	Toriaezu Gohei Tochigi Oyama Store
Enya Tokyo Mitaka Store	Toriaezu Gohei Gunma Maebashi Store
Enya Kawasaki Store	Toriaezu Gohei Miyagi Ishinomaki Hebita Store
Enya Saitama Fukaya Store	Toriaezu Gohei Niigata Kashiwazaki Store
Enya Saitama Urawa Store	Toriaezu Gohei Toyama Uozu Store
Jizakanaya Tokyo Shinkawa Store	Toriaezu Gohei Saitama Ina Store
Jizakanaya Saitama Omiya Store	Toriaezu Gohei Saitama Honjo Store
Jizakanaya Tokyo Mita Store	Toriaezu Gohei Nagaoka Kitamachi Store
Jizakanaya Tokyo Hamamatsucho Store	Toriaezu Gohei Fukui Nishikata Store
Mou boo Dining Shizuoka Kannami Store	Toriaezu Gohei Niigata Akamichi Store
Mou boo Dining Chiba Yachiyo Store	Toriaezu Gohei Nagano Matsumoto Murai Store

Store name	
Toriaezu Gohei Tokyo Machida Store	Yururitona Murasaki Mei-ekimae Store
Toriaezu Gohei Saitama Iruma Kuboinari Store	Kaienmaru Musashikosugi Store
Toriaezu Gohei Niigata Tsubame-Sanjo Store	Patapataya Higashi-nihonbashi Store
Toriaezu Gohei Chiba Noda Store	TYOTTOYOROUYA Senrichuo Store
Toriaezu Gohei Yamagata Shironishi Store	Furari Murasaki Saitama Chuo Store
Toriaezu Gohei Fukui Gakuen Store	Patapataya Tokyo Machida Store
Toriaezu Gohei Sendai Wakabayashi Tohmizuka Store	Tenteketen Tokyo Kasai Store
Toriaezu Gohei Kanazawa Ekinishi Store	Yururitona Murasaki Tochi Store
Toriaezu Gohei Shizuoka Numazu Shimokannuki Store	Murasaki Tokyo Nakamurabashi Store
Toriaezu Gohei Ibaraki Tsuchiura Store	Chanko Edosawa Niigata Meike Store
Toriaezu Gohei Saitama Koshigaya Store	Chanko Edosawa Niigata Nagaoka Kesajiro Store
Toriaezu Gohei Chiba Wakaba Store	Chanko Edosawa Toyama Hongo Store
Toriaezu Gohei Tochigi Ashikaga Store	Chanko Edosawa Toyama Takaoka Akasofu Store
Toriaezu Gohei Ibaraki Tsukuba Store	Chanko Edosawa Ishikawa Komatsu Store
Toriaezu Gohei Sendai Taihaku Yanagiu Store	Chanko Edosawa Fukui Sabae Store
Toriaezu Gohei Yamagata Nanyo Store	Chanko Edosawa Fukui Takagi Chuo Store
Toriaezu Gohei Iwate Ohshu Mizusawa Aterui Store	Chanko Edosawa Tokyo Main Store
Otaru Shokudo Tochigi Utsunomiya Store	Chanko Edosawa Shizuoka Kawai Store
Otaru Shokudo Tochigi Oyama Store	Chanko Edosawa Tokyo Ryogoku Store
Otaru Shokudo Toyama Tonami Store	Chanko Edosawa Shizuoka Fuji Store
Otaru Shokudo Toyama Takaoka Naimen Store	Chanko Edosawa Tokyo Edogawa Store
Otaru Shokudo Chiba Nagareyama Store	Chanko Edosawa Shizuoka Shimizu Store
Otaru Shokudo Hamamatsu Maruzuka Store	Chanko Edosawa Chiba Kisarazu Store
Otaru Shokudo Tokyo Machida Hirobakama Store	Chanko Edosawa Shizuoka Fujieda Store
Otaru Shokudo Shizuoka Mishima Store	Chanko Edosawa Tokyo Machida Negishi Store
Marusa Suisan Kanagawa Ayase Store	Chanko Edosawa Kanagawa Atsugi Store
Murasaki Yoga Store	Chanko Edosawa Shizuoka Iwata Store
Murasaki Shinjuku Shin-minamiguchi Store	Chanko Edosawa Shizuoka Numazu Wakaba Store
Murasaki Suidobashi Nishiguchi Store	Chanko Edosawa Saitama Niiza Store
Murasaki Shinosaka Store	Chanko Edosawa Chiba Midori Store
Kaihinte Tokyo Yaesu Store	Amor de Gaudi Tokyo Roppongi Store
Karatakeya Tokyo Toranomon Store	Motomachi Coffee Hamamatsu Nishi-iba Store
Ito Coffee Shizuoka Shimizurou Store	

List of Directly Operated G.networks Stores to be Assumed

Store code	Store name
0212	Karubi Tairiku Yamaguchi Onoda Store
0216	Washoku Nabe Shabushabu Shimizu Yamaguchi Ube Store
0221	Tonkou Yamaguchi Onoda Store
0225	Tonkou Yamaguchi Shunan Store
0226	Tonkou Yamaguchi Ube Store
0227	Kaisan Shuka Tonkou Yamaguchi Shimonoseki Store
0230	Karubi Tairiku Yamaguchi Ube Store
0262	Tonku Hiroshima Naka Store
0283	Karubi Tairiku Hiroshima Hatsukaichi Store
0284	Karubi Tairiku Yamaguchi Hofu Store
0285	Karubi Tairiku Yamaguchi Shunan Store
0286	Otaru Shokudo Hiroshima Saijo Plaza Store
0316	Toriaezu Gohei Omoromachi Store
0317	Sendai Getaya Hiroshima Naka Store
0320	Toriaezu Gohei Hyogo Himeji Store
0321	Toriaezu Gohei Hyogo Taishi Store
0322	Toriaezu Gohei Osaka Hirakata Store
0323	Toriaezu Gohei Osaka Kishiwada Store
0325	Haikaraya Hyogo Akashi Store
0356	Omuraisu Tei Fukuoka Aeon Onojo Store
0370	Omuraisu Tei Hiroshima Fuji Grand Kannabe Store
0371	Omuraisu Tei Yamaguchi Onoda Sunpark Store
0375	Omuraisu Tei Fukuoka Yume Town Hakata Store
0390	Agetenya Fukuoka Yume Town Chikushino Store
0395	Udon Hono Kawa Hiroshima Yume Town Kure Store
0431	Omuraisu Tei Kitakyushu Chacha Town Kokura Store
0432	Omuraisu Tei Fukuoka Yume Town Chikushino Store
0440	Omuraisu Tei Ehime Aeon Niihama Store
0445	Omuraisu Tei Aeon Hayato-Kokubu Store
0465	Omuraisu Tei Fukuoka Yume Town Omuta Store
0466	Omuraisu Tei Kumamoto Yume Town Hikanomori Store
Store code	Store name

0475	Omuraisu Tei Fukuoka Aeon Nogata Store
0476	Omuraisu Tei Yamachuchi The Mall Shunan Store
0481	Omuraisu Tei Fukuoka Yume Town Yame Store
0494	Omuraisu Tei Saga Yume Town Saga Store
0504	Nagasaki Chanmen Yamaguchi Ube Store
0507	Nagasaki Chanmen Yamaguchi Nagato Store
0510	Nagasaki Chanmen Yamaguchi Asa Store
0513	Nagasaki Chanmen Yamaguchi Ube Kounan Store
0566	Nagasaki Chanmen Yamaguchi Iwakuni Tateishi Store
0620	Ishiyaki Bibinba Annyon Fukuoka Yume Town Hakata Store
0624	Champon-za The Juttetsu Saga Yume Town Saga Store
0626	Honokawa Seimen Oita Yume Town Beppu Store
0627	Omuraisu Tei Oita Yume Town Beppu Store
0628	Annyon Shimane Yume Town Izumo Store
0629	Omuraisu Tei Shimane Yume Town Izumo Store
0631	Annyon Fukuoka Torius Hisayama Store
0633	Annyon Ehime Aeon Niihama Store
0634	Annyon Tottori Aeon Tottori-kita Store
0635	Omuraisu Tei Tottori Aeon Tottori-kita Store
0636	Nagasaki Chanmen Juttetsu Fukuoka Aeon Mall Store
0637	Omuraisu Tei Kochi Aeon Mall Kochi Store
0638	Annyon Kagawa Aeon Mall Ayagawa Store
0640	Omuraisu Tei Osaka Crysta Nagahori Store
0641	Omuraisu Tei Nagoya Aeon Mall Aratama-bashi Store
0642	Omuraisu Tei Tokyo Ario Kitasuna Store
0643	Omuraisu Tei Tokyo Ito-Yokado Kasai Store
0644	Omuraisu Tei Saitama Ario Kawaguchi Store
0645	Omuraisu Tei Nara Nara Family Store
0646	Omuraisu Tei Saitama Ito-Yokado Nishikicho Store
0647	Agetenya Hamamatsu Aeon Mall Hamamatsu Shitoro Store
0648	Omuraisu Tei Kumamoto Yume Town Hamasen Store

Store code	Store name
0649	Agetenya Fukuoka Yume Town Omuta Store

0660	Agetenya Saitama Ito-Yokado Misato Store
0661	Agetenya Saitama Aeon Mall Yono Store
0662	Omuraisu Tei Nara Aeon Mall Nara Tomigaoka Store
0663	Omuraisu Tei Takamatsu Aeon Mall Takamatsu Store
0914	Toriaezu Gohei Sakai-kita Store
0917	Toriaezu Gohei Osaka Kaizuka Store
0918	Shabu-shabu Sukiyaki Shimizu Osaka Hirakata Store
0919	Shabu-shabu Sukiyaki Shimizu Higashi-Osaka Higashi-Konoike Store
0920	Toriaezu Gohei Osaka Izumi Store
0921	Toriaezu Gohei Osaka Chuo Store
0925	Toriaezu Gohei Himeji Agaho Store
0926	Toriaezu Gohei Hyogo Himeji Mitachi Store
0928	Shabu-shabu Sukiyaki Shimizu Okayama Kurashiki Store
0930	Chanko Edosawa Okayama Aoe Store
0931	Toriaezu Gohei Okayama Honmachi Store
0932	Shabu-shabu Sukiyaki Shimizu Hiroshima Fukuyama Store
0933	Shabu-shabu Sukiyaki Shimizu Hiroshima Fukuyama Store (Okinoue)
0934	Shabu-shabu Sukiyaki Shimizu Kagawa Takamatsu Store
1605	Nagasaki Chanmen Hiroshima Kure Store
1606	Nagasaki Chanmen Hiroshima Hatsukaichi Store
1614	Nagasaki Chanmen Hiroshima Saeki Store
1615	Udon Honokawa Hiroshima Minami Store
2703	Nagasaki Chanmen Okayama Ihuku Store
2704	Nagasaki Chanmen Okayama Masuno Store
2706	Nagasaki Chanmen Okayama Fukuhama Store
2709	Nagasaki Chanmen Okayama Kurashiki Store
2710	Nagasaki Chanmen Okayama Soja Store
2714	Nagasaki Chanmen Okayama Hama Store
3713	Nagasaki Chanmen Kobe-nishi Store
3805	Udon Honokawa Osaka Suita Store

Store code	Store name
3806	Nagasaki Chanmen Hyogo Takarazuka Store
3816	Udon Honokawa Osaka Higashi-Sumiyoshi Store
3821	Udon Honokawa Kobe-nishi Store

3826

Udon Honokawa Hyogo Aeon Town Higashi-Kakogawa Store

List of Directly Operated SAKAI Stores to be Assumed

Business line	Store name
Sakai	Kasukabe Store
Sakai	Narita Store
Sakai	Hamura Store
Sakai	Hachioji Mejirodai Store
Sakai	Setagaya Kitami Store
Sakai	Musashino Sakurazutsumi Store
Sakai	Shinjuku Kabukicho Store
Sakai	Hadano Store
Sakai	Yokohama Tennocho Store
Sakai	Hashimoto Store
Sakai	Shonan Life Town Store
Sakai	Kurihama Store
Sakai	Kugenuma-Kaigan Store
Sakai	Kanazawa-Hakkei Store
Sakai	Matsumoto Murai Store
Sakai	Ueda Store
Sakai	Nagano Nagaike Store
Sakai	Ogaki Akasaka Store
Sakai	Kakamigahara Store
Sakai	Akanabe Store
Sakai	Shimizu Tsukimi Store
Sakai	Shimizu Ekimae Store
Sakai	Kannami Store
Sakai	Hamamatsu Morita Store
Sakai	Kakegawa Store
Sakai	Iwata Store
Sakai	Mishimaminami Store
Sakai	Yaizu Sangamyo Store
Sakai	Fuji Yoshiwara Store
Sakai	Shizuoka Interchange Store
Sakai	Shizuoka Fujieda Store
Sakai	Irinaka Store
Sakai	Chiryu Store
Sakai	Nishio Store
Sakai	Yokkaichi Tokiwa Store
Sakai	Yokkaichi Nishi Store
Sakai	Kyoto Rakusai Store
Sakai	Kyoto Ichijoji Store
Sakai	Fushimi Yokooji Store
Sakai	Osaka Visola Minoh Store
Sakai	Shijonawate Store
Sakai	Ikeda Store
Sakai	Sakai Hamadera Store
Sakai	Osaka Kishiwada Imaki Store

Business line	Store name
Sakai	Itami Ojika Store
Osaka Karubi	Chiyoda Uchikanda Store
Osaka Karubi	Gifu Masaki Store
Osaka Karubi	Hamamatsu Interchange Store
Osaka Karubi	Aichi Kasugai Store
Osaka Karubi	Nagoya Minato Store
Osaka Karubi	Aichi Ichinomiya Bypass Store
Osaka Karubi	Aichi Oguchi Store
Osaka Karubi	Aichi Owariasahi Store
Osaka Karubi	Aichi Miyoshi Store
Osaka Karubi	Aichi Nagakute Store
Osaka Karubi	Mie Suzuka Store
Osaka Karubi	Tsu Takachaya Store
Osaka Karubi (all-you-can-eat)	Saitama Iruma Store
Osaka Karubi (all-you-can-eat)	Shin-Narashino Store
Osaka Karubi (all-you-can-eat)	Yokohama Totsuka Store
Tori Backs	Shizuoka Kannami-no-su
Buffet Olive	Kannami Store
Buffet Olive	Nagoya Iwatsuka Store
Buffet Olive	Sakai Senboku Store