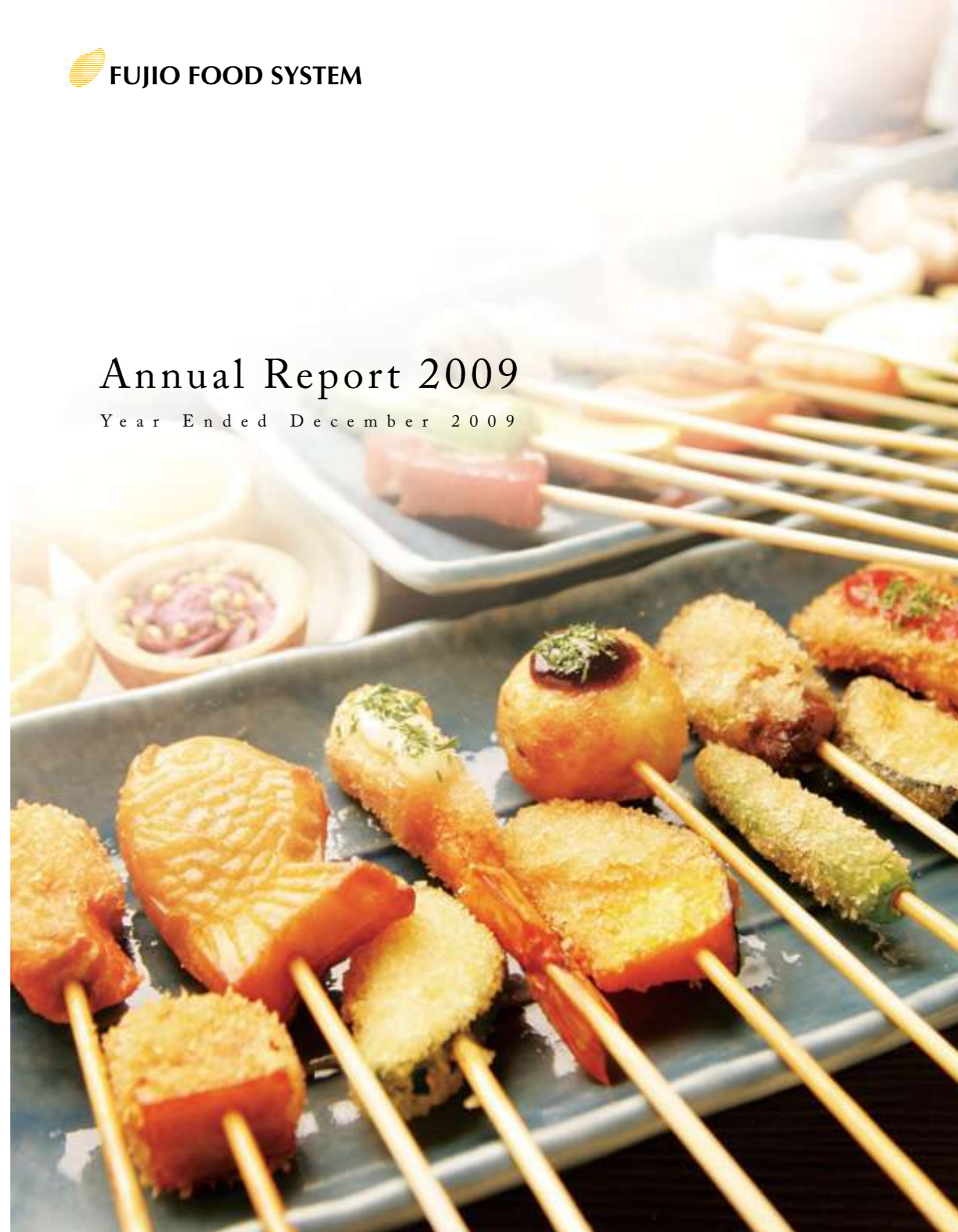



Annual Report 2009

Year Ended December 2009



We strive to be a restaurant company that generates human warmth

Corporate Philosophy

お客様に喜んでいただくと同時に
働くすべての仲間
の幸福を共有できる
組織でありたい。
ふじお 

We want to be an organization that makes our customers happy and that, at the same time, can share in success of all of our associates.

Profile

The mission of Fujio Food System is to share happiness with many people through dining. Between company-owned establishments and franchises, we have 709 restaurants around Japan and another 6 overseas (5 in Shanghai, 1 in Hawaii) covering 24 different business types focusing mainly on casual home-style cuisine. With sales of 20.63 billion yen, our company boasts of both the largest number of restaurants and highest sales figures in Japan in the dining hall (*shokudo*) category.

These restaurants mainly serve Japanese-style home cooking, made wholeheartedly. Achieving a total balance that takes in an establishment's atmosphere and service is also important. In getting the simple things right, as well as taking a professional attitude, we develop our restaurants from the perspective of our customers. In fact, we do that no matter what type of business is involved.

Our corporate vision also includes making a social contribution in the form of employment guarantees that include seniors. We have our sights set on being able to spread Japanese food "casual dining restaurants" that are good for body and soul and will excite our customers around the world.

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President Masahiro Fujio

The year 2010 will see dramatic activity New challenges in new settings

In 2009, the effects of the economic slump that enmeshed the world due to the Lehman shock of fall 2008 intensified and for Japan the economic environment became extremely harsh. Deflationary conditions expanded further at home, and the restaurant industry was one among many that experienced a year caught up in that enormous vortex.

The past year also saw us face the new threat of the H1N1 flu virus, which had a major impact on the restaurant industry.

Yet, in the spirit of the rallying cries we issued at the start of the year to “See change, shifts, and risk as an opportunity” and “Work and grow together, through times both good and hard,” I had the sense that amid all this, the entire company did join together as one and we succeeded in surmounting difficult times. As a result, operating income rose 21.1 percent on the previous year, and net income recovered from having fallen into the red the previous year to reach 200 million yen in the black.

I believe 2010 will be a second dramatic year. We must boldly climb the steps to take our company into new settings. We have not been complacent about current levels of awareness with restaurants operating under the *Maido Ookini Shokudo** brand. We have made progress on revitalizing existing establishments by refurbishing them, reassessing menus, and improving the support we give to each affiliate.

Furthermore, our *Kushiya Monogatari* and *Tsurumaru* restaurants represent two categories into which we will be devoting our energies so that they may provide us with a second foundation for further growth following on from *Maido Ookini Shokudo*. *Kushiya Monogatari* restaurants serve Osaka’s unique *kushiage* cuisine (breaded and skewered bits of fish, meats, and vegetables deep-fried) in a buffet cook-yourself style; this unconventional approach makes for a completely unique type of restaurant that, among commercial establishments, is winning overwhelming favor particularly from families. In 2010, we will also open branches across the whole of Japan.

Plans are also afoot not just for the Kansai region, but also for the Kyushu, Tokai and Kanto regions to open *Tsurumaru* restaurants—a chain focused on *udon* noodles that allows customers to choose their own toppings. A restaurant opened in Tokyo’s Shinbashi district in February 2010 and has won rave reviews from office workers in this downtown neighborhood.

We’ve made advances in our overseas operations, too, pushing forward with preparations to take another step forward in expansion around Asia with our sights set not only on Shanghai, but also Hong Kong, Thailand, and Vietnam amongst others.

Fujio Food System has been able to grow steadily without forgetting its roots in the business of casual home-style cuisine. We hope that our group will continue to benefit as ever from your support.

June, 2010

President Masahiro Fujio

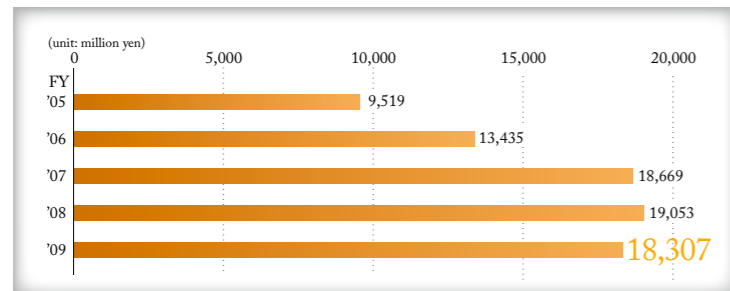
* *Maido Ookini Shokudo* are dining hall-style restaurants operating under the motto “*Maido Ookini*” which literally means “Thank you for your continued patronage” in the lively Osaka dialect.

At a Glance

Fujio Food System has developed 24 different types of restaurant in both directly managed and franchise formats, including the Maido Ookini Shokudo chain based on the concept of a local “something for everyone” restaurant serving everyday foods and the Kushiya Monogatari chain serving *kushiage*—an Osaka specialty—buffet-style. The company has more than 30 years of history, dating back to 1979 when our founder opened his first restaurant. Franchising began in 1999 and the company has opened restaurants throughout Japan. Fujio Food branched out internationally to Shanghai in 2006 and is pushing forward not only around Japan but also on full-scale openings overseas.

Domestic Directly Managed Operations

Directly managed restaurants included 272 establishments across 24 types of restaurant within Japan focused mainly in the Kansai region. The Maido Ookini Shokudo brand accounted for nearly half of the total at 125 restaurants, but in recent years we have also actively pursued opening more restaurants under the Kushiya Monogatari (*kushiage* buffet-style) and Tsurumaru (self-service *udon* noodles) brands. Kushiya Monogatari restaurants in large-scale commercial facilities such as Aeon Mall shopping centers are proving to be overwhelmingly popular and are becoming one of the Company’s prime revenue streams. Two Tsurumaru brands have been developed to suit diversifying consumer desires, the “Men-no-sho Tsurumaru Udon” outlets located in existing buildings and the “Shikoku-udon Tsurumaru Seimen” outlets that serve noodles made on the premises. Currently, work is moving forward on renovating Maido Ookini Shokudo restaurants to a format wherein they can serve freshly made food so as to further improve revenues.

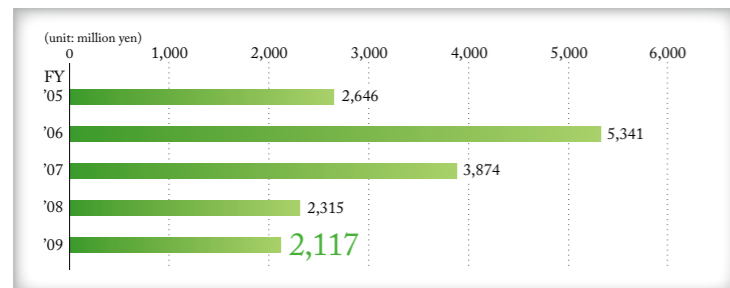


Sales from Domestic Directly Managed Operations, by Restaurant Type	2009
Maido Ookini Shokudo	8,480
Kushiya Monogatari	3,734
Kappogi	1,490
Tsurumaru	1,283
Other brands	3,317

Franchise Operations

Franchise operations have experienced dramatic growth since starting in 1999. Affiliates throughout Japan total 437 establishments across 4 restaurant types under the Maido Ookini Shokudo, Kushiya Monogatari, Kappogi Japanese-Style Izakaya Pub, and Tsurumaru brands. Royalties are the main source of income from franchise operations. As the franchise headquarters, the Company supplies branding and marketing knowhow, information, and a distribution system, and in compensation it receives a fixed share of restaurant turnover from the affiliates corresponding to contract type in the form of royalties.

Royalty receipts for the year ending December 2009 totaled 1.20 billion yen.



Sales from Franchise Operations, by Segment	2009
Franchise fee	12
Royalties	1,209
Initial setup fees	120
Running fees	775

Overseas Operations

Overseas, the Company has opened 5 restaurants in Shanghai, China, and one Hinone Mizunone fixed course eatery in Hawaii. Sales at the Shanghai outlets have been going well in conjunction with the economic recovery.

We are accumulating know-how about restaurant operations in Shanghai, and we plan to develop operations in the future not just in China but also in other locations throughout the Asian mainland such as Hong Kong and Thailand.

Financial Highlights



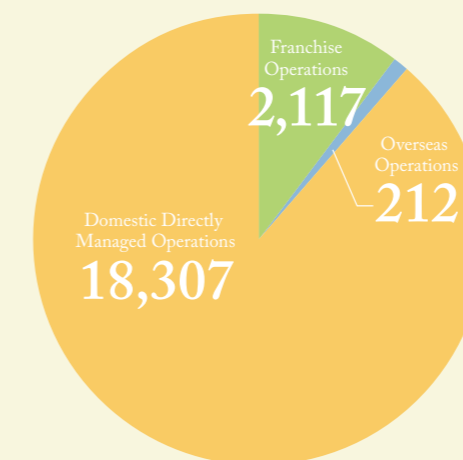
* The figures for 2005-2008 are Non-Consolidated, while those from 2009 onward are Consolidated Results.

Sales Trends, by Operation Type (unit: million yen)

	2005	2006	2007	2008	2009
Directly Managed Operations	9,519	13,435	18,668	19,053	18,307
Franchise Operations	2,646	5,341	3,874	2,315	2,117
Overseas	—	—	—	—	212
Total	12,166	18,776	22,543	21,369	20,637

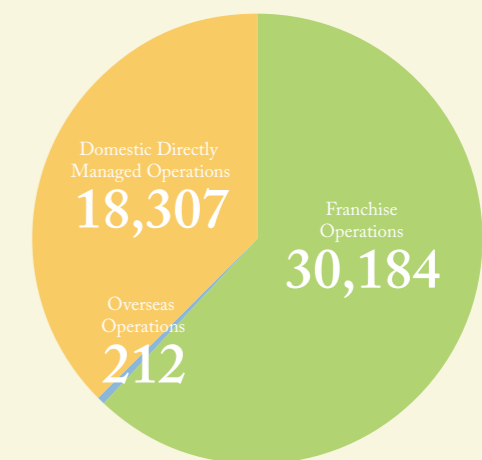
Net Sales (unit: million yen)

Total: 20,637



Sales at Restaurants (unit: million yen)

Total: 48,703



The culture of Japanese “*taishushoku*” is filled with thoughtfulness Our goal is to be No. 1 in the casual home-style dining business



It is well known that the Japanese diet has a place apart from the food cultures of other countries; people the world over have noted it for being extremely conducive to long life with its ample use of beans, fish, seaweed, and vegetables. Another major feature is its deep connectedness with Japan's four seasons, seen in the special seasonal dishes one can enjoy known as *shun* that use ingredients available only at certain times of the year.

In Japan, people talk about “*ofukuro no aji*”—“Mom's home cooking.” Steamed rice accompanied by a piping hot bowl of *miso* soup, grilled fish together with *nikujaga* (a stew-like beef and potato dish), *natto* (fermented beans), small vegetable side dishes with pickles... The expression refers generally to home cooking, but you can also say it means the cuisine a mother makes out of concern and consideration for the growth and health of her children. In recent years, because of changing lifestyles, families have had fewer and fewer opportunities to gather around the dining room table as a group and talk over the day's events.

Consequently, the restaurant business has found itself newly charged with providing settings where families can sit and enjoy one another's company.

Restaurants focused on home cooking (everyday foods)—positioned in the category known as “*taishushoku*,” or literally “food for the public,” referring to traditional home-style cuisine—greet their customers with a motherly warmth while offering menus with healthy dishes that never go out of style, even for daily customers. For example, the culture of Japanese-style lunch counters—which originated in our home base of Osaka—sees customers crowd together along the counter chatting with one another and the staff while they enjoy their food; such restaurants are an expression of how Japanese emphasize that “eating” is not just a matter of intaking food, but also serves as a tool for contact and communication with other people.

Masahiro Fujio, president of Fujio Food System, was born to parents who ran their own restaurant—the sort of place that had a little something for everyone, where

people from the local community gathered every day. He was well-acquainted from a young age with the charms of casual home-style dining. Prompted by the thought that it would be great if there a lot of restaurants around that were enjoyable to patrons and staff alike, he began his effort to develop a casual home-style dining business around the country.

Fujio is fond of saying, “Cooking is a matter of being thoughtful. Without thoughtfulness you just can't make anything that really tastes good.” The notion of *dekitate* (“just made”) that we abide by is one such example. Serve warm food warm, and cold foods cold. We want people to eat delicious food, and we want them to become happy. A little consideration arising from a feeling of thoughtfulness toward others has the result of making food that is all the more delicious. Japan's casual home-style dining restaurants—a business in which Fujio Food System aims to be number one—are another example of this culture of thoughtfulness.





Maido Ookini Shokudo



Number of restaurants: 125 domestic directly managed, 388 franchisee-operated, 4 overseas

Twenty-two years have passed since the first Maido Ookini Shokudo opened in 1988. This brand has moved out into the world and as of the end of 2009 the number of restaurants under the brand had reached 517. The Shokudo brand's restaurants—having gone through a period of major expansion in the suburbs in order to satisfy the demands of this day and age—are being reborn in a new style. The brand has shifted from a traditional cafeteria approach where customers would select dishes on the varied menu from display counters to a style wherein always freshly made items are handed directly to the customer. Rice made by steaming in a pot using *koshibikari* grains milled on the

premises, miso soup made by combining stringently selected *miso* bean paste with a natural Japanese-style soup stock, and freshly made *tamago-yaki* (roll-style omelet) using fresh eggs laid in from select farms are the Shokudo brand's premier dishes. Great store is set by preparing other dishes on the premises too, using carefully selected ingredients for such items as simmered mackerel and salt-grilled saury and presenting them straight from the heart. They are like local "something for everyone" restaurants found around town that can be patronized by people of all ages and all walks, from families with small children, to office workers and the elderly.



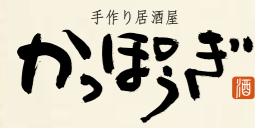
Kagura Shokudo Kushiya Monogatari



Number of restaurants: 33 domestic directly managed, 18 franchisee-operated

These restaurants have been getting singled out overwhelmingly by family customers in the restaurant zones of the large commercial facilities that have been opening one after another around Japan in recent years. They have incorporated into their all-you-can-eat approach not just the *kushiage* cuisine (batter-dipped deep-fried foods on skewers) that is part of Osaka's unique food culture, but also a bountiful side menu that includes Japanese-style curry, udon noodle dishes, salads, and desserts.

These restaurants are a buffet-style take on *kushiage* cuisine, in which the customers pick from among 60 ingredients originating from both land and sea then batter and fry them themselves using fryers set at every table. They use six kinds of our own homemade sauces as well as healthy cooking oils we have developed in-house that contain linoleic acid and are very easy on the body; we likewise have our own exceeding standards when it comes to bread crumbs and flour.



Kappogi Japanese-Style Izakaya Pubs



Number of restaurants: 26 domestic directly managed, 28 franchisee-operated

The Kappogi restaurants differ in style from conventional *izakaya* (Japanese restaurant-style pubs) by having a relaxing atmosphere that targets Japan's baby boom generation. They are situated mainly in locations set somewhat apart from the main thoroughfares of office districts.

Restaurant staff are mainly women, all of a cheerful motherly sort. They are establishments awash in homey warmth. The menu features Japanese home cooking basics such as *gyusujii*

tofu-ni (simmered beef shank and bean curd) and *nikujaga* (a stew-like beef and potato dish) made full of motherly love and served in large dishes lined up at the counter. They are all daily dishes just right for when someone wants to eat a "proper" meal and can also work well over drinks. Customers can have a drink with this cuisine in the evening, while at lunchtime the menu offers customizable meal courses that allows them to choose a soup and three side dishes, all at a reasonable price.



Tsurumaru



Number of restaurants: 35 domestic directly managed, 2 franchisee-operated

The Tsurumaru brand has accumulated 14 years of history as a pioneer in the self-service *udon* restaurant business since the first restaurant opened in 1996. Restaurants in the brand are found not just in office-district buildings, but have spread out to suburban locations as well. The restaurants' thin-style noodles, which go well with rice, are proving particularly popular with families.

Our unique *udon* noodles have been developed by Fujio Food System in conjunction with a noodle making company; they

are boiled in large pots at the restaurants, and are served up and consumed with a lightly flavored broth made using dried sardines and two other natural ingredients. Customers can choose their own toppings, including tempura dipped in wheat flour with carefully selected seasonal flavorings and deep fried in canola oil out of considerations for health.

Restaurants operating under the Tsurumaru Seimen ("Tsurumaru noodle-making") brand serve noodles that are always made on the premises.

Brand Information

Sub-Brands



Kamadaki rice (rice cooked the old-fashioned way in a pot) and charcoal-grilled foods
Hinone Mizunone



We've created a menu that's good for the body, with charcoal-grilled foods and freshly steamed rice. With an interior space styled on the earthen-floored rooms of a traditional country home, Hinone Mizunone restaurants have a warm and hospitable ambience.



Western foods, steak, curry
Fujio-ken



Customers can sample our Hamburg curry, with a juicy, firm hamburger patty sitting on our homemade curry sauce, or try steak and hamburger patties cooked on a piping hot grill with any of a wide variety of sauces. Dining is in a retro-style atmosphere that is reminiscent of European-style restaurants from times gone by.



Grill-based Japanese pub-style restaurant, *okonomiyaki*, *yakisoba*
Jujuya



A lively atmosphere where everyone, families included, can enjoy the *okonomiyaki* stuffed pancakes, homemade *yakisoba* stir-fried noodles, and other entrees cooked up on our piping hot grills.



Délices du palais
tartes aux fruits frais



Hand-made tarts are served up at this palace of delights for the palate. We always use a plethora of seasonal fruits. No preservatives or additives are used, and each tart is made with tender loving care. Customers can enjoy their tarts on the premises, or place their orders for takeout.



Sachifukuya



Set menu meals (*teishoku*) prepared from seasonal vegetables, fish, and other delicacies. They include tasty desserts to be savored after the meal. Sachifukuya is a "second dining room table" bringing customers healthy foods for a healthy diet.



Charcoal house:
Kome-Gyu



We serve carefully selected meats, such as the highest quality, choicest Japanese Black beef and Mitsuse chicken. Customers can enjoy their meal together with a bowl of freshly pot-steamed rice.



Famous cutlets
Katsuman



Our *tonkatsu* (breaded pork cutlet) restaurants are sticklers about making everything by hand using carefully selected ingredients extending from the pork from animals raised by safe and trustworthy methods, to our own specially blended sauces, the homemade breadcrumbs, and the cooking oil.

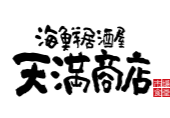


Fujio Coffee



Our customers can enjoy freshly brewed coffee in the relaxed surroundings of our shops. We have prepared an ample menu offering light meals and desserts.

Other Brands



List of Overseas Brands

[Shanghai]

Maido Ookini
Shokudo



Everyday foods presented self-service style, the same as in Japan. Very popular on weekdays with housewives and office workers, and on weekends with families.

[Shanghai]

Marutenya



A restaurant favored not just by Japanese who reside locally, but also by people from the area interested in Japanese food.

[Shanghai]

Honey-B Coffee



A café popular for its homemade tarts. The shop bustles every day with housewives who live in the neighborhood.

[Hawaii]

Hinone
Mizunone



A full-course meal restaurant that the rice-loving people of Hawaii have deemed "delicious." Also favored by its location on South King Street near Waikiki.

Topics

The promise of tastiness and safety

In our restaurants, the rice we use is of the *koshibikari* variety—the number one grain in Japan in every respect including taste, aroma, sweetness, popularity, and name recognition. We have credentialed food tasters at Fujio Food System—our "rice sommeliers"—who repeatedly check the palatability of the grains in making their annual selections.

The rice arrives at our restaurants in the form of unmilled grain and is polished every day at each establishment. The eggs we use similarly are limited to only those that satisfy Ministry of Agriculture standards for size, coming from designated farms that maintain strict hygienic conditions.

Fujio Food System is also Japan's top consumer in the restaurant business of mackerel. Year in, year out, staff are sent to Norway and, once they are satisfied regarding its flavor and safety, take advantage of economies of scale to lay in the company's stock.

We make no compromises and pay close attention to the

smallest detail of each and every thing when it comes to the selection of ingredients, management, cooking methods, and serving our food. We want our customers to be able to relax and partake in delicious food, and our staff to be able to go about their work energetically and with pride.



Challenges and Possibilities

In 2009, we opened the *Otemon Shokudo*, a dining hall located on the campus of Otemon Gakuin University. Our dining hall system was imported to the university without change. The warmth of a casual eatery that has something for everyone was likewise reproduced in a bright space where people come together. We obtained the support of many in the form of nutrition education concepts, and we operate the dining hall

every day filled with the confidence that it has turned into a socially meaningful place. The menu provides not only fixed set lunches typical of casual home-style cuisine restaurants, but also offers a variety of noodle- and rice-based dishes as well as desserts at better-than-average prices. It has gotten rave reviews from students and faculty for being tasty, naturally, as well as for the abundant variety of foods and nutritional balance they can get.

As Japan's population continues to age and its birth rate declines, dining hall facilities are being called upon to modernize and improve the content of their service and the safety of their food. In this, we believe our company has a substantial role to play. We are also proud of our ability to respond flexibly to changes on the dining scene that have come with the social advancement of women.



Corporate Governance

Fujio Food System considers that, in order to maximize shareholders' benefit, the company's corporate governance structure should be built for sound and efficient management that enables the management decision-making and execution of business effectively. The Company's aim is to further increase the transparency of management and achieve fair-minded management for all of its shareholders.

Activities of the Board of Directors

The Fujio Food System Board of Directors comprises four individuals, whose functions include making important decisions and overseeing the execution of business by each Director. The Board is convened at least once a month and all important issues are brought up for discussion. In fiscal 2009, the Board of Directors was convened 16 times with a Director attendance rate of 94.4 percent.

The Company also employs an Executive Officer System, with functions divided between a Board of Directors charged with decision-making and supervision and Executive Officers charged with the execution of business. A Management Conference, as a subordinate organization of the Board of Directors, comprises the Executive Officers and deals with important issues, convening at least once a week in order to speed up the management decision-making process.

Auditing System

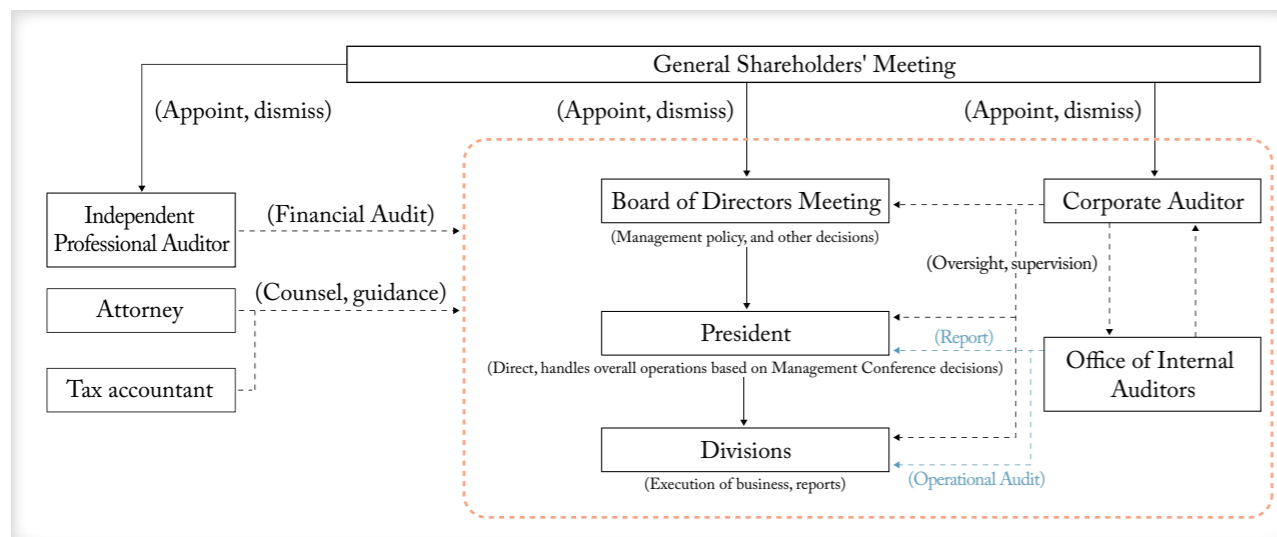
The Fujio Food System's Board of Auditors comprises one Corporate Auditor and two independent Outside Corporate Auditors; it deals with maintaining and strengthening the Company's auditing functions. Based on auditing policies and an auditing plan drawn by the Board of Auditors, the

Auditors audit the performance of duties by Directors, Executive Officers, and each division by participating in meetings of the Board of Directors and other meetings as needed; receiving reports on the conduct of duties from Directors and Executive Officers; and reviewing important documents, project proposals, and so forth. In fiscal 2009, the Board of Auditors convened 10 times with an Auditor attendance rate of 100 percent. Also, the Outside Corporate Auditor attendance rate for Board of Director meetings was 75 percent, and the rate for the Corporate Auditor was 100 percent.

Internal Auditing Situation

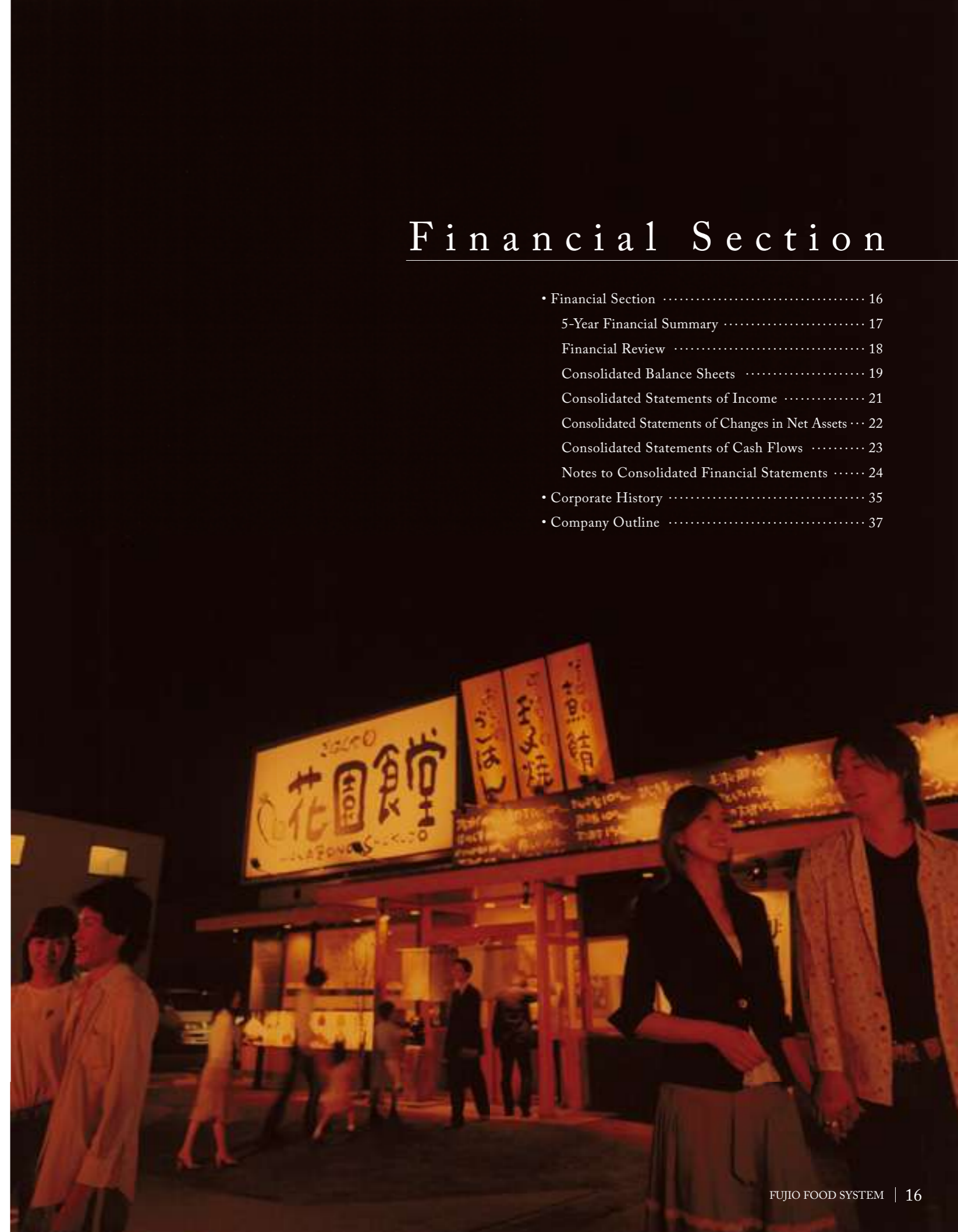
Regarding internal auditing, the Audit Department (two individuals including a full-time chief audit executive), based on internal audit regulations, audits whether each division of the Company and the operations of its restaurants are being carried out properly and soundly in accordance with laws, the articles of incorporation, and the Company's own regulations. Based on the results of its audit, the Department also provides the proper guidance, and works for the proper performance of business, through the earlier fraud detection and prevention connected to business. The chief audit executive as necessary attends the meetings of the Management Conference, Board of Directors, and Board of Auditors to report on the results of internal audits.

<Status of Oversight and Internal Control Systems for Execution of Business and Administration>



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5-Year Financial Summary

Years ended December 31

FUJIO FOOD SYSTEM CO., LTD. And Consolidated Subsidiaries

	Thousands of yen				
	2005	2006	2007	2008	2009
For each period:					
Net sales	¥ —	¥ —	¥ —	¥ —	¥20,637,651
Operating income	—	—	—	—	1,292,114
Net income	—	—	—	—	218,547
At the end of each period:					
Total assets	—	—	—	14,938,483	14,432,045
Net assets	—	—	—	2,587,140	2,801,747
Per share of common stock:					
Net income	—	—	—	—	4,842.72
Net assets	—	—	—	57,235.49	61,561.85

FUJIO FOOD SYSTEM CO., LTD. (Non-Consolidated)

	Thousands of yen				
	2005	2006	2007	2008	2009
For each period:					
Net sales	¥12,166,266	¥18,776,956	¥22,543,163	¥21,369,083	¥20,424,777
Operating income	732,714	1,770,090	1,393,014	1,066,221	1,275,510
Net income	181,034	704,691	188,300	(887,017)	210,503
At the end of each period:					
Total assets	9,500,988	16,027,497	15,485,619	14,914,613	14,411,770
Net assets	1,905,963	3,504,095	3,632,903	2,659,633	2,864,354
Per share of common stock:					
Net income	9,317.41	16,218.92	4,199.38	(19,677.02)	4,664.49
Net assets	91,443.83	78,303.82	80,595.08	50,908.84	63,033.72

Financial Review

Business Environment and Management Strategy

The effects of the economic slump that enmeshed the world due to the “Lehman shock” of autumn 2008 intensified and the economic environment became extremely harsh for Japan. Deflationary conditions expanded further at home, and the restaurant industry was no exception in experiencing a year that seemed to have been caught up into an enormous vortex. The year also saw us faced with the new threat of the H1N1 flu virus, which had a major impact on the restaurant industry.

Under this situation, with regards to directly managed restaurants, the Group united to tackle improving the operational efficiency of all its brands, focusing on *Maido Ookini Shokudo*, working under the slogan, “We will become Japan’s top restaurant corporation in the home-style dining business,” the aim was to create a structure able to guarantee earnings even under economic conditions of this sort. To strengthen its ability to do business, the Company also reassessed management structure and bolstered staff education and training. In terms of new restaurants, steady openings were carried out concentrating on two brands with high earnings potential, *Kagura Shokudo Kushiya Monogatari* and *Tsurumaru*, producing definite results.

Turning to franchise operations, starting this consolidated fiscal year the Company took on the task at all franchise restaurants of affiliate development and supervising duties at franchises, operations that previously had been outsourced. Furthermore, by stepping up restaurant visits and guidance from the Company’s trainers, we improved productivity at existing establishments and engaged in developing affiliates with a view to expanding the *Tsurumaru* brand throughout the country.

Thanks to the aforementioned business development efforts, 30 new restaurants were opened during the consolidated fiscal year under discussion across the entire Group (23 directly managed and 7 franchise restaurants), with the total number of restaurants at the end of the consolidated fiscal year standing at 715 (272 directly managed, 437 franchise, 6 overseas). As a result, net sales for the consolidated fiscal year stood at 20.63 billion yen and operating income at 1.29 billion yen, net income for the year totaled 218 million yen.

Profit and Loss Situation (Comparisons will be made with the preceding fiscal year on the basis of a separate statement of profit and loss due to 2009 being the first fiscal year for calculating consolidated income.)

Net Sales and Gross Income on Sales

Net sales fell to 20.42 billion yen, a 4.4-percent decline off the preceding year. Breaking down the 945 million yen fall in income shows that direct operations, accounted for 745 million yen of that figure and franchise operations for 198 million yen. Shanghai operations were also consolidated starting in 2009.

Gross operating income fell 3.3 percent from the preceding year to 13.73 billion yen, but the gross profit margin rose 0.7 percentage

points to 67.2 percent. This result was not merely the product of reassessing purchasing or the working of market mechanisms, but rather was due to having worked to reduce costs by reviewing the Company’s menus through such means as ABC analyses and menu engineering at directly managed restaurants.

Operating Income

Operating income rose, even though sales declined, by an increase of 19.6% from the previous year to 1.27 billion yen. The operating profit margin also increased 1.3 percentage points to 6.2 percent due to a 682 million yen decline off the previous year in general and administrative expenses to 12.46 billion yen. A breakdown of this decline shows it was largely due to reductions in leasing fees, depreciation allowances, payroll, utilities’ costs, and supplies expenses.

Current Net Income

Current net income stood at 210 million yen, an enormous improvement over the 887 million yen net loss posted for 2008. This was achieved due to a 1.41 billion yen decline in extraordinary losses to 759 million yen.

Consolidated Balance Sheet, Cash Flow

Consolidated assets stood at 14.43 billion yen, comprising 5.59 billion yen in current assets, 8.83 billion yen in fixed assets. Also, current liabilities totaled 5.49 billion yen and fixed liabilities 6.13 billion yen.

Turning to consolidated cash flow, cash flow from business activities obtained at directly managed and franchise operations generated 1.63 billion yen in earnings; cash flow from investment activities such as through the acquisition of tangible fixed assets due to new restaurant openings and the like amounted to 377 million yen in expenditures; and cash flow from financing activities such as the redemption of debenture and repayment of debt loans totaled 681 million yen in expenditures.

Forecast for 2010

Regarding consolidated performance for 2010, even in a difficult economic environment, we are certain to secure a profit. We are projecting consolidated sales of 20.8 billion yen, a consolidated operating profit of 1.18 billion yen, and a consolidated current net profit 223 million yen.

Consolidated Balance Sheets

FUJIO FOOD SYSTEM CO., LTD. and Consolidated Subsidiaries
As of December 31, 2009 and 2008

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Assets			
Current assets			
Cash and bank deposits (Note 4)	¥3,513,620	¥4,070,056	\$44,191
Accounts receivable-trade	419,314	442,023	4,799
Inventories (Note 4)	93,755	108,097	1,173
Deferred tax assets	349,645	185,907	2,018
Other current assets	1,035,433	852,411	9,255
Less: allowance for doubtful accounts	(33,546)	(64,723)	(702)
Total current assets	5,378,223	5,593,771	60,735
Fixed assets			
Property and equipment			
Buildings and structures	5,971,932	5,916,837	64,243
Accumulated depreciation	(1,807,362)	(2,180,157)	(23,671)
Loss on impairment	(179,660)	(227,113)	(2,465)
Buildings and structures, net	3,984,908	3,509,566	38,106
Equipment	1,855,490	1,872,781	20,334
Accumulated depreciation	(1,124,223)	(1,358,569)	(14,751)
Loss on impairment	(19,721)	(24,827)	(269)
Equipment, net	711,546	489,384	5,313
Land	137,272	137,272	1,490
Construction in progress	23,000	73,198	794
Other	41,902	165,216	1,793
Accumulated depreciation	(29,690)	(32,480)	(352)
Other, net	12,212	132,735	1,441
Total property and equipment	4,868,939	4,342,158	47,146
Intangible assets	56,477	45,092	489
Investment and other assets			
Investment securities	346,051	423,710	4,600
Deferred tax assets	390,281	243,296	2,641
Lease deposits (Note 4)	3,334,646	3,197,994	34,723
Other (Note 4)	805,704	828,858	8,999
Less: allowance for doubtful accounts	(241,841)	(242,838)	(2,636)
Total investment and other assets	4,634,842	4,451,021	48,328
Total fixed assets	9,560,259	8,838,273	95,963
Total assets	¥14,938,483	¥14,432,045	\$156,699

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Liabilities			
Current liabilities			
Accounts payable-trade	¥886,035	¥839,916	\$9,119
Short-term debt	150,000	—	—
Current portion of long-term debt (Note 4)	2,362,705	2,577,165	27,982
Accounts payable-other	1,275,949	735,189	7,982
Income tax payable	53,683	90,264	980
Provision for litigation losses	—	31,000	336
Other current liabilities	1,103,765	1,218,240	13,227
Total current liabilities	5,832,139	5,491,777	59,628
Long-term liabilities			
Bonds payable	360,000	1,050,000	11,400
Long-term debt (Note 4)	4,976,986	4,026,101	43,714
Other long-term liabilities	1,182,217	1,062,418	11,535
Total long-term liabilities	6,519,203	6,138,520	66,650
Total liabilities	12,351,343	11,630,297	126,279
Net assets			
Shareholders' equity			
Common stock	1,155,692	1,169,969	12,703
Capital surplus	1,035,439	1,049,716	11,397
Retained earnings	429,159	557,546	6,053
Total shareholders' equity	2,620,292	2,777,232	30,154
Valuation, transaction adjustments and others			
Unrealized gains (losses) on available-for sale securities, net of taxes	(45,243)	9,332	101
Foreign currency translation adjustments	5,127	5,757	62
Total valuation, transaction adjustments and others	(40,115)	15,089	163
Stock acquisition rights	4,022	5,271	57
Minority interests	2,941	4,153	45
Total net assets	2,587,140	2,801,747	30,420
Total liabilities and net assets	¥14,938,483	¥14,432,045	\$156,699

Consolidated Statements of Income

FUJIO FOOD SYSTEM CO., LTD. and Consolidated Subsidiaries
For the year ended December 31, 2009

	Thousands of yen	Thousands of U.S. dollars (Note 1)
	2009	2009
Net sales	¥20,637,651	\$224,078
Cost of sales	6,744,784	73,233
Gross profit	13,892,867	150,845
Selling, general and administrative expenses		
Directors' remuneration	106,482	1,156
Salaries	4,713,496	51,178
Legal welfare	295,089	3,204
Rent for office and store	2,596,450	28,191
Provision for allowance for doubtful accounts	33,891	367
Other	4,855,343	52,718
Total selling, general and administrative expenses	12,600,753	136,815
Operating income	1,292,114	14,029
Other income (expenses):		
Interest income	4,713	51
Interest expenses	(164,811)	(1,789)
Bond interest expenses	(15,879)	(172)
Rental income	165,105	1,792
Rental expense	(125,242)	(1,359)
Gain on forgiveness of debt	124,098	1,347
Reversal of allowance for doubtful accounts	1,717	18
Store closure loss (Note 5)	(274,523)	(2,980)
Loss on retirement of fixed assets (Note 5)	(13,955)	(151)
Impairment loss on fixed assets (Note 5)	(165,695)	(1,799)
Loss on cancellation of franchise contract	(150,175)	(1,630)
Provision for litigation losses	(31,000)	(336)
Other, net	(91,006)	(988)
Other expenses, net	(736,654)	(7,998)
Income before income taxes and minority interests	555,460	6,031
Current	62,342	676
Deferred	273,357	2,968
Total income taxes	335,700	3,644
Minority interests in net income	1,212	13
Net income	¥218,547	\$2,372

Consolidated Statements of Changes in Net Assets

FUJIO FOOD SYSTEM CO., LTD. and Consolidated Subsidiaries
For the year ended December 31, 2009

	Thousands of yen							Total net assets
	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Stock acquisition rights	Minority interests	
Balance at December 31, 2008	¥1,155,692	¥1,035,439	¥429,159	¥(45,243)	¥5,127	¥4,022	¥2,941	¥2,587,140
Changes during the year								—
Exercise of warrants	14,276	14,276	—	—	—	—	—	28,553
Cash dividends	—	—	(90,160)	—	—	—	—	(90,160)
Net income	—	—	218,547	—	—	—	—	218,547
Net changes in terms other than shareholders' equity during the year	—	—	—	54,575	629	1,248	1,212	57,666
Net change during the year	14,276	14,276	128,387	54,575	629	1,248	1,212	214,607
Balance at December 31, 2009	¥1,169,969	¥1,049,716	¥557,546	¥9,332	¥5,757	¥5,271	¥4,153	¥2,801,747

	Thousands of U.S. dollars (Note 1)							Total net assets
	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Stock acquisition rights	Minority interests	
Balance at December 31, 2008	\$12,548	\$11,242	\$4,659	\$(491)	\$55	\$43	\$31	\$28,090
Changes during the year								—
Exercise of warrants	155	155	—	—	—	—	—	310
Cash dividends	—	—	(978)	—	—	—	—	(978)
Net income	—	—	2,372	—	—	—	—	2,372
Net changes in terms other than shareholders' equity during the year	—	—	—	592	6	13	13	626
Net change during the year	155	155	1,393	592	6	13	13	2,330
Balance at December 31, 2009	\$12,703	\$11,397	\$6,053	\$101	\$62	\$57	\$45	\$30,420

Consolidated Statements of Cash Flows

FUJIO FOOD SYSTEM CO., LTD. and Consolidated Subsidiaries
For the year ended December 31, 2009

	Thousands of yen	Thousands of U.S. dollars (Note 1)
	2009	2009
Cash flows from operating activities:		
Income before income taxes and minority interests	¥555,460	\$6,031
Depreciation	834,144	9,056
Increase (decrease) in allowance for doubtful accounts	34,373	373
Increase (decrease) in provision for litigation losses	31,000	336
Interest and dividend income	(6,362)	(69)
Interest expenses	164,811	1,789
Bond interest expenses	15,879	172
Store closure loss	274,523	2,980
Loss on devaluation of investment securities	26,510	287
Impairment loss on fixed assets	165,695	1,799
Increase in accounts receivable-trade	(3,791)	(41)
Increase in inventories	(14,330)	(155)
Decrease in accounts payable-trade	(46,227)	(501)
Decrease in deposit	6,836	74
Decrease in accounts receivable-other	73,448	797
Increase in advance payments	(2,870)	(31)
Decrease in advance payments-trade	21,664	235
Decrease in accounts payable-other	(266,282)	(2,891)
Decrease in advances received	(10,338)	(112)
Increase in consumption tax payable	61,767	670
Others	70,863	769
Subtotal	1,986,775	21,571
Interest and dividends received	6,362	69
Interest paid	(179,030)	(1,943)
Payments of settlement	(147,350)	(1,599)
Income tax paid	(32,147)	(349)
Net cash provided by operating activities	1,634,609	17,748
Cash flows from investing activities		
Transfers to time deposits	(308,651)	(3,351)
Proceeds from maturity of time deposits	328,565	3,567
Acquisition of property and equipment	(302,438)	(3,283)
Acquisition of intangible assets	(6,911)	(75)
Payments for disposal of fixed assets	(117,029)	(1,270)
Disbursement of loans	(97,405)	(1,057)
Collection of loans	44,240	480
Payments for purchases of investments in securities	(29,970)	(325)
Proceeds from sales of investments in securities	30,743	333
Increase in long-term prepaid expenses	(15,835)	(171)
Payments of lease deposits	(109,088)	(1,184)
Collection of lease deposits	187,276	2,033
Others	18,692	202
Net cash provided by investing activities	(377,812)	(4,102)
Cash flows from financing activities		
Net decrease in short-term debt	(150,000)	(1,628)
Proceeds from long-term debt	1,845,000	20,032
Repayment of long-term debt	(2,583,693)	(28,053)
Proceeds from issuance of bonds	1,076,910	11,692
Redemption of bonds	(310,000)	(3,365)
Issuance of common stock	28,553	310
Repayments of installment payable	(489,389)	(5,313)
Repayments of lease obligations	(9,961)	(108)
Dividends paid	(89,390)	(970)
Net cash provided by financing activities	(681,970)	(7,404)
Effect of exchange rate changes on cash and cash equivalents	1,523	16
Net change in cash and cash equivalents	576,350	6,257
Cash and cash equivalents at beginning of year	3,200,115	34,746
Cash and cash equivalents at end of year (Note7)	¥3,776,466	\$41,003

Notes to Consolidated Financial Statements

FUJIO FOOD SYSTEM CO., LTD. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which FUJIO FOOD SYSTEM CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥92.10 to \$1, the approximate rate of exchange at December 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. In fiscal year ended December 31, 2008, the Company did not prepare a consolidated Income Statement, because the subsidiary of the Company was consolidated balance sheet at the year end.

2. Summary of Significant Accounting Policies

(a) Scope of consolidation

- (1) The Consolidated Financial Statements as of December 31, 2009 include the accounts of the Company and its 2 significant subsidiaries over which the Company has power of control through substantial ownership of majority voting right SHANGHAI FUJIO FOOD SYSTEM CO., LTD was included in the scope of consolidation.
- (2) Investments in the following unconsolidated subsidiaries not accounted for under equity method are stated at cost as they are immaterial to the consolidated financial statement.
FUJIO FOOD SYSTEM U.S.A CO., LTD.
FM SPACE DESIGN CO., LTD

All subsidiaries close their books of account on December 31 for financial reporting purposes.

(b) Securities

- The Company and its consolidated subsidiaries categorize their existing investment securities as one of the following categories.
- i) Held-to-maturity debt securities, which are expected to be held to maturity within the positive intent and ability to hold to maturity are reported at amortized cost.
 - ii) Available-for-sale securities, which are debt and equity securities with fair market values that are classified as neither trading securities nor held-to-maturity securities, are reported at fair market value. Unrealized holding gains and losses on available-for sale securities are excluded from earnings and are reported as a net recognized holding gain or loss, net of the related tax effect, in a separate component of net assets until realized. In computing the realized gain or loss, cost of available-for-sale securities are principally determined by the average method.

Non-marketable available securities are stated at cost determined by the moving-average method.

(c) Inventories

- The inventories are stated at the lower of cost or market fair value. Products and Raw materials are determined by:
First-in first-out method
Supplies are determined by:
Last purchase price method

(Accounting changes)

Effective December 31, 2009, the Company adopted the "Accounting Standard for Measurement of Inventories" Accounting Standards Board of Japan (ASBJ Statement No.9). The standard requires revaluation of inventories if the book value is less than the net realizable value or the replacement cost.

The financial impact of this change is immaterial.

(d) Depreciation and amortization

- i) Property and equipment (except for leased asset)
Property and equipment is stated at cost less accumulated depreciation. Buildings (excluding leasehold improvements) are depreciated using the straight-line method. Other tangible fixed assets are, in principle, depreciated using the declining-balance method at the Company and the straight-line method at overseas consolidated subsidiaries. The useful lives of property and equipment are as follows:
Buildings and structures 5 to 41 years
Equipment 3 to 15 years

ii) Intangible assets

Software for internal use is amortized on a straight-line method over 5 years of the estimated available period.

iii) Leased assets

Leased assets depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

(Accounting changes)

Formerly, finance lease transactions not involving the transfer or ownership of leased assets were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective the year ended December 31, 2009, the Company applied "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16). Such transactions are now accounted for as ordinary sale and purchase transactions.

Assumed depreciation is based on the straight-line method over the lease term of the leased assets, assuming no residual value. The financial impact of this change is immaterial.

iv) Long-term prepaid expenses

Long-term prepaid expenses are amortized by the straight-line method.

(e) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis.

(f) Provision for litigation losses

To provide for losses due to legal risks, the amount of which is based on estimated losses to be incurred considering the likelihood of such losses in the future.

(g) Accounting for hedging activities

i) Accounting for hedging activities

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value.

ii) Hedging instruments and hedged items

Hedging instruments...Interest rate swaps

Hedged items...Interest on bank loans

iii) Hedging policy

The Group is planning to restrict only to derivative transactions to hedge interest rate risk of future interest-rate loans.

iv) Evaluation of hedge

Derivative transactions are carried out by the Group are the only interest rate swaps. Because they meet all the requirements for special treatment of transactions that are determined by the assessment of hedge effectiveness.

(h) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(i) Accounting for the valuation of assets and liabilities of acquired consolidated subsidiaries

The Company accounted for the valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value method.

(j) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include highly liquid investments with original maturities of three months or less and a low risk of fluctuation in value.

3. Changes in Significant Accounting Policy

(Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)

Effective December 31, 2009, the Company and its overseas consolidated subsidiaries adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial

Statements" (The Practical Issues Task Force of ASBJ No.18, May 17, 2006), which requires unification of accounting policies applied to consolidated overseas subsidiaries.

The adoption has no effect on consolidated operating results for the year ended December 31, 2009.

4. Notes to Consolidated Balance Sheets

1. Intercompany balances to unconsolidated subsidiaries and affiliated Companies are as follows;

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Investments in subsidiaries and affiliates	¥131,913	¥105,402	\$1,144

2. (1) Assets pledged as collateral as follows;

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Cash and bank deposits	¥178,000	¥148,000	\$1,606
Lease deposits	40,000	40,000	434
Other	141,772	238,681	2,591
Total	¥359,772	¥426,681	\$4,632

(2) Corresponding debt

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Current portion of long-term debt	¥500,000	¥595,000	\$6,460
Long-term debt	1,351,000	1,206,000	13,094
Total	¥1,851,000	¥1,801,000	\$19,554

3. Breakdown of inventories are follows;

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Beverages	¥13,486	¥29,491	\$320
Food and supplies	80,268	78,605	853
Total	¥93,755	¥108,097	\$1,173

4. Guarantees

(1) Guarantee of lease obligations for leasing

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Franchisees (12 companies)	¥18,134	¥12,898	\$140

5. Notes to Consolidated Statements of Income

1. Breakdown of Store closure loss is as follows;

	Thousands of yen	Thousands of U.S. dollars
	2009	2009
Loss on cancellation of rental store contracts	¥101,001	\$1,096
Loss on retirement of building and structures	102,753	1,115
Loss on retirement of equipment	15,969	173
Restoration expenses	27,084	294
Loss on cancellation of lease contracts	14,998	162
Other	12,714	138
Total	¥274,523	\$2,980

2. Breakdown of Loss on retirement of fixed assets are as follows;

	Thousands of yen	Thousands of U.S. dollars
	2009	2009
Building and structures	¥13,039	\$141
Equipment	915	9
Total	¥13,955	\$151

3. Impairment loss

For the fiscal year ended December 31, 2009, the Company and consolidated subsidiaries recognized impairment loss, respectively, on the following groups of assets.

Description	Classification	Location
Stores	Buildings and equipment, etc.	Osaka Pref. 9 stores
		Fukuoka Pref. 1 store

The Company and consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit.

The book values of stores which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss.

Classification	The amount of impairment loss	
	Thousands of yen	Thousands of U.S. dollars
	2009	2009
Building and structures	¥118,508	\$1,286
Equipment	16,433	178
Other	30,754	333
Total	¥165,695	\$1,799

The recoverable values of store asset groups are measured using the value in use approach, but in this case, the store assets are not measured using discounted cash flow approach because undiscounted future cash flows derived from those assets are negative.

6. Notes to Consolidated Statements of Changes in Net Assets

1. Movements in issued common stock and treasury stock for the years ended December 31, 2009 are summarized as follows;

	Number of shares			
	December 31, 2008	Increase	Decrease	December 31, 2009
Issued stock				
Common stock (Note 1)	45,080	278	—	45,358
Total	45,080	278	—	45,358
Treasury stock				
Common stock	—	—	—	—
Total	—	—	—	—

(Note 1) Increase in the number of shares outstanding 278 shares of common stock, represented issuance of shares from exercise of stock acquisition rights.

(Note 2) None because the Company did not prepare a Consolidated Statement of Changes in Net Assets in the fiscal year ended December 31, 2008.

2. Stock acquisition right and treasury stock options

Classification	A breakdown of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights			Balance at end of fiscal year
			December 31, 2008	Increase	Decrease	
The company	Acquisition rights as stock options	—	—	—	—	¥5,271
Total						¥5,271

Classification	A breakdown of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights			Balance at end of fiscal year
			December 31, 2008	Increase	Decrease	
The company	Acquisition rights as stock options	—	—	—	—	\$57
Total						\$57

3. Dividends

(1) Dividends paid

(Shareholders resolution)	Type of shares	Thousands of yen Total amount of dividends	Cash dividends per share (yen)	Record date	Effective date
Annual shareholders' meeting (on March 27, 2009)	Common stock	¥90,160	¥2,000	December 31, 2008	March 31, 2009

(Shareholders resolution)	Type of shares	Thousands of U.S. dollars Total amount of dividends	Cash dividends per share (dollars)	Record date	Effective date
Annual shareholders' meeting (on March 27, 2009)	Common stock	\$978	\$21	December 31, 2008	March 31, 2009

(2) Dividend of the fiscal year attributable to the dividend record date, which will be the effective date of the following year

(Shareholders resolution)	Type of shares	Thousands of yen	Dividend funds	Cash dividends per share (yen)	Record date	Effective date
		Total amount of dividends				
Annual shareholders' meeting (on March 30, 2010)	Common stock	¥90,716	Retained earnings	¥2,000	December 31, 2009	March 30, 2010

(Shareholders resolution)	Type of shares	Thousands of U.S. dollars	Dividend funds	Cash dividends per share (dollars)	Record date	Effective date
		Total amount of dividends				
Annual shareholders' meeting (on March 30, 2010)	Common stock	\$984	Retained earnings	\$21	December 31, 2009	March 30, 2010

7. Notes to Consolidated Statements of Cash Flows

1. A reconciliation of cash and bank deposits amounts in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at December 31, 2009 is as follows;

	Thousands of yen		Thousands of U.S. dollars
	2009	2009	2009
Cash and bank deposit	¥4,070,056		\$44,191
Time deposits with maturities exceeding 3 months	(293,590)		(3,187)
Cash and cash equivalents	¥3,776,466		\$41,003

(Note) None because the Company did not prepare the Consolidated Cash Flow Statement in the fiscal year ended December 31, 2008.

2. Major non-cash transaction

The amount of the installment payable was recorded in ¥229,003 thousands (\$2,486 thousands) for the fiscal year ended December 31, 2009.

8. Leases

1. Finance lease assets: (As lessee)

The company leases certain buildings and structures, store equipment in restaurant business, and software.

As discussed in Note 2 (f), the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information, on an "as if capitalized" basis for the years ended December 31, 2008 and 2009 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Buildings and structures			
Acquisition cost	¥16,341	¥3,246	\$35
Accumulated depreciation	6,645	2,386	25
Accumulated impairment loss	—	—	—
Net leased property	¥9,696	¥860	\$9
Equipment			
Acquisition cost	¥1,587,529	¥1,033,915	\$11,226
Accumulated depreciation	973,116	665,278	7,223
Accumulated impairment loss	22,371	36,225	393
Net leased property	¥592,041	¥332,410	3,609
Total	¥601,737	¥333,271	\$3,618

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Obligations under finance lease			
Due within one year	¥257,647	¥170,704	\$1,853
Due after one year	355,524	170,926	1,855
Total	¥613,172	¥341,631	\$3,709

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Allowance for loss on impairment of leased assets	¥25,444	¥35,223	\$382

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Lease payments	¥362,198	¥260,116	\$2,824
Reversal of allowance for loss on impairment of leased assets	¥6,543	¥20,976	\$227
Depreciation expenses	¥335,952	¥241,006	\$2,616
Interest expenses	¥24,180	¥15,992	\$173
Impairment loss	¥23,643	¥30,755	\$333

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

2. Operating leases: (As lessee)

Future lease payments under non-cancelable operating lease at December 31, 2008 and 2009 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Obligations under non-cancelable operating lease			
Due within one year	—	¥476,108	\$5,169
Due after one year	—	4,917,587	53,393
Total	—	¥5,393,695	\$58,563

(Note) For the year ended December 31, 2009, the Company applied the "Accounting Standard for Lease Transactions"(ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions"(ASBJ Guidance No.16). And the company has disclosed the above transactions, including lease of land and buildings.

9. Investment Securities

1. Held-to-maturity debt securities whose fair value is available as of December 31, 2009 and 2008: None

2. Available-for-sale securities whose fair value is available

At the year ended December 31, 2008	Thousands of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost			
(1)Equity securities	¥670	¥1,384	¥713
(2)Bonds			
i) National government	—	—	—
ii) Corporate	—	—	—
iii)Other	—	—	—
(3)Other securities			
Subtotal	¥670	¥1,384	¥713
Securities whose carrying value does not exceed their acquisition cost			
(1)Equity securities	¥407,452	¥332,239	¥(75,212)
(2)Bonds			
i) National government	—	—	—
ii) Corporate	—	—	—
iii)Other	—	—	—
(3)Other securities	4,847	3,127	(1,720)
Subtotal	¥412,299	¥335,366	¥(76,932)
Total	¥412,970	¥336,751	¥(76,219)

At the year ended December 31, 2009	Thousands of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost			
(1)Equity securities	¥272,945	¥322,815	¥49,870
(2)Bonds			
i) National government	—	—	—
ii) Corporate	—	—	—
iii)Other	—	—	—
(3)Other securities			
Subtotal	¥272,945	¥322,815	¥49,870
Securities whose carrying value does not exceed their acquisition cost			
(1)Equity securities	¥135,178	¥97,195	¥(37,983)
(2)Bonds			
i) National government	—	—	—
ii) Corporate	—	—	—
iii)Other	—	—	—
(3)Other securities	4,847	3,699	(1,147)
Subtotal	¥140,025	¥100,894	¥(39,130)
Total	¥412,970	¥423,710	¥10,739

At the year ended December 31, 2009	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost			
(1)Equity securities	\$2,963	\$3,505	\$541
(2)Bonds			
i) National government	—	—	—
ii) Corporate	—	—	—
iii)Other	—	—	—
(3)Other securities			
Subtotal	\$2,963	\$3,505	\$541
Securities whose carrying value does not exceed their acquisition cost			
(1)Equity securities	\$1,467	\$1,055	\$(412)
(2)Bonds			
i) National government	—	—	—
ii) Corporate	—	—	—
iii)Other	—	—	—
(3)Other securities	52	40	(12)
Subtotal	\$1,520	\$1,095	\$(424)
Total	\$4,483	\$4,600	\$116

3. Sales amount of securities classified as available-for-sale securities for the years ended December 31, 2008, 2009 are summarized as follows;

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Proceeds from sales	¥17,039	¥29,970	\$325
Gain on sales	¥709	¥772	\$8
Loss on sales	—	—	—

4. Non-marketable securities

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
(1)Available-for-sale securities			
Unlisted equity securities book value	¥9,300	—	—

10. Retirement Benefit Obligations

The Group has not adopted a retirement benefit plan.

11. Deferred Tax Assets

1. Breakdown of each major cause of deferred tax assets

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets			
Accrued enterprise taxes	¥8,566	¥11,100	\$120
Allowance for doubtful accounts	111,917	124,993	1,357
Accrued business taxes	5,410	5,463	59
Depreciation and amortization	33,751	35,167	381
Impairment loss on fixed assets	85,014	103,632	1,125
Tax losses carried forward	441,319	132,667	1,440
Store closure loss	16,563	5,269	57
Loss on devaluation of investments in subsidiaries and affiliates	27,228	38,002	412
Amortization for long-term prepaid expenses	23,110	22,207	241
Agent commission of land leasehold for business	2,385	2,385	25
Loss on devaluation of golf membership	2,231	2,231	24
Unrealized losses on available-for-sale securities	30,975	—	—
Loss on devaluation of land	41,534	41,534	450
Loss on cancellation of franchise contract	—	11,866	128
Provision for litigation	—	12,598	136
Other	3,983	19,821	215
Total gross deferred tax assets	¥833,993	¥568,941	\$6,177
Less: Valuation allowance	(94,066)	(133,347)	(1,447)
Total deferred tax assets	¥739,927	¥435,593	\$4,729
Deferred tax liabilities			
Unrealized gains on available-for-sale securities	—	(6,389)	(69)
Total deferred tax liabilities	—	¥(6,389)	\$(69)
Net deferred tax assets	¥739,927	¥429,204	\$4,660

2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income.

	2008	2009
Normal effective statutory tax rate	—	40.6%
(Reconciliation)		
Expenses not deductible for income tax purposes	—	4.1%
Fixed-rate municipal tax	—	11.2%
Changes in valuation allowance	—	4.8%
Other-net	—	(0.1%)
Actual effective tax rates	—	60.7%

(Note) In fiscal year ended December 31, 2008, the Company did not prepare a Consolidated Income Statement. Therefore, disclosure is omitted.

12. Segment Information

a. Business Segment Information

Year ended December 31, 2008	Thousands of yen				
	Restaurant business	Franchise business	Total	Elimination /Corporate	Consolidated
I. Net sales and operating profit (loss)					
Net sales					
(1)Sales to customers	—	—	—	—	—
(2)Intersegment sales or transfer	—	—	—	—	—
Total	—	—	—	—	—
Operating expenses	—	—	—	—	—
Operating profit (loss)	—	—	—	—	—
II.Total assets, depreciation and amortization, capital expenditures					
Total assets	¥8,398,682	¥426,817	¥8,825,499	¥6,112,984	¥14,938,483
Depreciation and amortization	—	—	—	—	—
Capital expenditure	—	—	—	—	—

(Note)

1.Fiscal year ended December 31, 2008, only because of the consolidated balance sheet, assets and other items have been omitted.

2.Segmentation method

Business segments are categorized primarily based on the nature of business operations which the Company uses for its internal management purposes.

3.Major businesses in each segment are as follows;

- (1)Restaurant business ... Directly-operated restaurant operations
- (2)Franchise business ... Management of franchise headquarters

Year ended December 31, 2009	Thousands of yen				
	Restaurant business	Franchise business	Total	Elimination /Corporate	Consolidated
I. Net sales and operating profit (loss)					
Net sales					
(1)Sales to customers	¥18,520,117	¥2,117,534	¥20,637,651	—	¥20,637,651
(2)Intersegment sales or transfer	—	—	—	—	—
Total	¥18,520,117	¥2,117,534	¥20,637,651	—	¥20,637,651
Operating expenses	¥17,545,207	¥952,660	¥18,497,867	¥847,669	¥19,345,537
Operating profit (loss)	¥974,910	¥1,164,873	¥2,139,783	¥(847,669)	¥1,292,114
II.Total assets, depreciation and amortization, capital expenditures					
Total assets	¥7,527,045	¥310,150	¥7,837,195	¥6,594,849	¥14,432,045
Depreciation and amortization	¥768,662	¥7,086	¥775,748	¥11,257	¥787,006
Impairment loss on fixed assets	¥165,695	—	¥165,695	—	¥165,695
Capital expenditure	—	—	—	—	—

Thousands of U.S. dollars

Year ended December 31, 2009	Restaurant business	Franchise business	Total	Elimination /Corporate	Consolidated
I. Net sales and operating profit (loss)					
Net sales					
(1)Sales to customers	\$201,087	\$22,991	\$224,078	—	\$224,078
(2)Intersegment sales or transfer	—	—	—	—	—
Total	\$201,087	\$22,991	\$224,078	—	\$224,078
Operating expenses	\$190,501	\$10,343	\$200,845	\$9,203	\$210,049
Operating profit (loss)	\$10,585	\$12,647	\$23,233	\$9,203	\$14,029
II.Total assets, depreciation and amortization, capital expenditures					
Total assets	\$81,726	\$3,367	\$85,094	\$71,605	\$156,699
Depreciation and amortization	\$8,345	\$76	\$8,422	\$122	\$8,545
Impairment loss on fixed assets	\$1,799	—	\$1,799	—	\$1,799
Capital expenditure	—	—	—	—	—

(Note)

1. Segmentation method

Business segments are categorized primarily based on the nature of business operations which the Company uses for its internal management purpose.

2. Major businesses in each segment are as follows;

- (1)Restaurant business ... Directly-operated restaurant operations
- (2)Franchise business ... Management of franchise headquarters

b. Geographic Segment Information

The geographic segment information for the years ended December 31, 2008 and 2009 have been omitted, due to the net sales and total assets of the Domestic constituted more than 90% of the consolidated totals.

c. Overseas Sales

The overseas sales information for the year ended December 31, 2009 has been omitted, due to the net overseas sales constituted less than 10% of the consolidated total sales.

The overseas sales information for the year ended December 31, 2008 is not available because the Group did not prepare a consolidated income statement.

13. Per Share Information

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Net assets per share	¥57,235.49	¥61,561.85	\$668.42
Net income per share	—	¥4,842.72	\$52.58
Diluted income per share	—	¥4,820.40	\$52.34

(Note) For the fiscal year ended December 31, 2008, the company did not prepare the consolidated income statement, and diluted net income per share and net income per share have been omitted.

(Note) Basic calculation of Net income (loss) per share and diluted income per share are as follows;

	Thousands of yen		Thousands of U.S. dollars
	2008	2009	2009
Net income per share			
Net income (loss)	—	¥218,547	\$2,372
Net income not available for distribution to common shareholders	—	—	—
Net income (loss) available for common stock	—	¥218,547	\$2,372
Weighted-average number of shares	—	45,129	45,129
Diluted income per share	—	—	—
Effect of dilutive securities	—	—	—
Increase in common stocks	—	209	209
(Of the above, the number of Stock acquisition Right)	(—)	(209)	(209)
Overview of dilutive securities which does not include the calculation of diluted net income per share, because that has no dilutive effect.	—	Stock acquisition Right	Stock acquisition Right
	—	Two types of Stock acquisition Right (The number of Stock acquisition Right 1,600)	Two types of Stock acquisition Right (The number of Stock acquisition Right 1,600)

14. Subsequent Events

None

Corporate History

1979	December	First independent restaurant, the Escale Kitchen and Bar, opens			
1981	December	First Yakan Hiko pub-restaurant opens in Namba, Osaka			
1982	March	First Fellows restaurant bar opens			
	June	4th Escale Kitchen and Bar opens			
1983	February	Became a Toryanse <i>okonomiyaki</i> (stuffed batter pancake) chain franchisee			
	May	Number of directly managed restaurants reaches 10			
	June	First Toryanse <i>okonomiyaki</i> restaurant opens in Shinsaibashi, Osaka			
	June	First Asian Paradise restaurant opens in Shinsaibashi			
1984	July	First Motsunabe Hyotan restaurant opens in Minami-Morimachi, Osaka			
	March	Momotose sushi restaurant opens in Namba			
	August	Ebisu <i>monjayaki</i> (light stuffed batter pancake) restaurant opens in Shinsaibashi			
	October	Ebisutei <i>kushiage</i> restaurant opens in Namba			
	December	Ciampini Italian restaurant opens			
	December	First Matsuri-zushi conveyor-belt style sushi restaurant opens			
	December	First Matsuri-zushi conveyor-belt style sushi restaurant opens			
1985	January	Ebisu <i>monjayaki</i> restaurant opens in Yotsubashi, Osaka			
	January	Began franchising operations with Motsunabe Hyotan			
	February	5th Motsunabe Hyotan franchised restaurant opens in Teradacho, Osaka			
	March	Number of directly managed restaurants reaches 30			
	April	First Je t'aime Cafe opens in Sakurabashi, Osaka			
	July	Men-no-sho Yoro-zuan restaurant opens in the Hiroshima Terminal Hotel			
	July	Men-no-sho Yoro-zuan restaurant opens in the Hiroshima Terminal Hotel			
1986	June	Established K.K. Fujisei Corporation			
1987	June	<i>Tonkatsu</i> (breaded pork cutlet) specialty restaurant Katsuma opens in Shinsaibashi			
1988	July	Morimachi Shokudo, the first Maido Ookini Shokudo restaurant, opens			
	September	Shin-Kobe Sushi Masa restaurant opens in the Shin-Kobe Oriental Hotel			
1989	September	5th Je t'aime Cafe opens, in Hankyu ings			
1990	July	Fukushima Shokudo, the 2nd Maido Ookini Shokudo, opens			
1991	August	Nozato Shokudo, the 3rd Maido Ookini Shokudo, opens			
	October	Tenroku Shokudo, the 4th Maido Ookini Shokudo, opens			
1992	January	Momotose sushi opens in Naka-ku, Nagoya			
	March	6th Je t'aime Cafe opens in Nabari City, Mie Prefecture			
1993	July	Sekime Shokudo, the 5th Maido Ookini Shokudo, opens			
	July	Umegae Shokudo, the 6th Maido Ookini Shokudo, opens			
	August	Large-scale beer house and restaurant Shogun opens in Esaka, Osaka			
	September	Ueroku Shokudo, the 7th Maido Ookini Shokudo, opens			
	December	Shinsaibashi Shokudo, the 8th Maido Ookini Shokudo, opens			
1994	December	Motomachi Shokudo, the 9th Maido Ookini Shokudo, opens			
	March	Nozaki Shokudo, the 10th Maido Ookini Shokudo, opens			
	May	Imafuku Shokudo, the 11th Maido Ookini Shokudo, opens			
	May	Imafuku Ebisu <i>okonomiyaki</i> restaurant opens			
	May	<i>Yakiniku</i> (barbecued meats) buffet-style restaurant Shogun opens on Rokko Island, Kobe			
	June	Nishi-Nakajima Shokudo, the 12th Maido Ookini Shokudo, opens			
	July	Shin-Osaka Shokudo, the 13th Maido Ookini Shokudo, opens			
	July	Large-scale karaoke facility King Dragon I opens in Umeda, Osaka			
	October	North Coast Tenjin Ramen restaurant opens in Minami-Morimachi			
	1995	April	Homomachi Shokudo, the 14th Maido Ookini Shokudo, opens		
May		Minamikata Shokudo, the 15th Maido Ookini Shokudo, opens			
	June	Shin-Osaka Sushi Masa restaurant opens in Shin-Osaka			
	June	Manpuku Shokudo, the 16th Maido Ookini Shokudo, opens			
	September	Sakaisuji Shokudo, the 18th Maido Ookini Shokudo, opens			
	November	Tosabori Shokudo, the 19th Maido Ookini Shokudo, opens			
1996	February	First Tsurumaru <i>udon</i> restaurant opens in Sakaisuji, Osaka			
	March	Seeking to transition from a family business to corporation, contract concluded with restaurant business consultant Sakuma			
	April	2nd Tsurumaru <i>udon</i> restaurant opens in Koraibashi, Osaka			
	June	Uchihirano Shokudo, the 20th Maido Ookini Shokudo, opens			
	June	Total number of directly managed restaurants reaches 80			
	July	<i>Yakiniku</i> buffet-style restaurant Shogun opens in Nishinomiya, Hyogo			
	September	Temabashi Shokudo, the 21st Maido Ookini Shokudo, opens			
	November	Japanese-style curry restaurant Indoya Koraibashi opens			
	December	Beer house and restaurant Rebecca opens at Yurakucho Station in Tokyo			
1997	April	First Indo-no-ru ("Indian roux") curry restaurant, Motomachi store, opens			
	May	Kitahorie Shokudo, the 22nd Maido Ookini Shokudo, opens			
	May	Shinmachi Shokudo, the 23rd Maido Ookini Shokudo, opens			
	June	7th Je t'aime Cafe opens in Shinsaibashi			
	August	First Kushiya Monogatari restaurant, Doyama in Kita-ku, Osaka			
	December	Higashi-Mikuni Shokudo, the 25th Maido Ookini Shokudo, opens			
	December	Large-scale beer house and restaurant Sapporo Fantasy opens			
1998	March	3rd Tsurumaru <i>udon</i> restaurant opens in Daikokucho, Osaka			
	April	Matsuri-zushi conveyor belt-style restaurant opens in Nishinomiya			
	September	5th Tsurumaru <i>udon</i> restaurant opens in Tengachaya, Osaka			
	December	Amatoya Oshizu opens in Abeno, Osaka			
1999	May	6th Tsurumaru <i>udon</i> restaurant opens in Minami-Morimachi			
	June	First Kushiage-dokoro Ebisutei <i>kushiage</i> restaurant opens, in Nishi-Nakajima			
	July	Temma Tenjin Shokudo, the 30th Maido Ookini Shokudo, opens			
	October	Developed Sushiya Jinka sushi restaurant in Ginza, Tokyo			
	November	Fujio Food System Co., Ltd. established			
2000	April	Edo Nihonbashi Shokudo, the 34th Maido Ookini Shokudo, opens in Tokyo			
	April	2nd Kushiya Monogatari, Navio store, opens in Umeda			
	July	3rd Kushiya Monogatari, Chayamachi store, opens in Umeda			
	August	4th Kushiya Monogatari, Namba store, opens in Namba			
	September	6th Kushiya Monogatari, Sannomiya store, opens in Sannomiya, Kobe			
	December	10th Kushiya Monogatari, Ohatsutenjin store, opens in Ohatsutenjin, Osaka			
	December	Kushiya Monogatari, Shibuto Cine Tower store, opens in Shibuya, Tokyo			
2001	December	Ohitsuya, Shinjuku store, opens in Shinjuku, Tokyo			
2002	January	Hinone Mizunone, Harajuku store, opens in Harajuku, Tokyo			
	December	Listed on the Hercules market at Osaka Securities Exchange			
2003	July	First Kappogi Japanese-style Izakaya Pub opened in Amerika-mura, Osaka			
2006	June	First overseas store opens in Shanghai			
	December	Stores now open in all 47 of Japan's prefectures			
2008	April	First Hawaii restaurant opens			
2009	March	Otemon Shokudo opens on the campus of Otemon Gakuin University			

Company Outline

Corporate Name	FUJIO FOOD SYSTEM CO., LTD.	
Corporate Address	<p>Osaka Headquarters Daiwa Minami-Morimachi Building 2F; 2-6, 2-chome-kita, Tenjinbashi; Kita-ku, Osaka 530-0041 Tel +81-6-6882-0851 Fax +81-6-6882-0614</p> <p>Tokyo Headquarters Nihonbashi Aruga Building 6F; 2-2-5, Nihonbashi; Chuo-ku, Tokyo 103-0027 Tel +81-3-3517-8611 Fax +81-3-3517-8615</p>	
Main Business Activities	<input type="radio"/> Restaurant management <input type="radio"/> Management of franchise chain headquarters <input type="radio"/> Planning and design related to interior and exterior refurbishing of restaurants	
Established	November 11, 1999	
Capitalization	1.16 billion yen (as of December 2009)	
Consolidated Sales	20.63 billion yen (2009 performance)	
Number of Stores	715 Stores (272 Directly managed, 437 Franchise, 6 Overseas) (as of December 2009)	
Number of Employees	Regular staff: 414, part-time staff: 3,887 (as of December 2009)	
Overseas Subsidiaries	<p>Shanghai Fujio Food System Co., Ltd. Established: August 24, 2006 Address: 403 (Xuhui Road), 751-2 Lingling Road, Xuhui District, Shanghai</p> <p>FUJIO FOOD SYSTEM U.S.A. CO., LTD. Established: October 10, 2006 Address: 1345 South Kings Street, Honolulu, Hawaii</p>	
Directors and Executive Officers	President	Masahiro Fujio
	Director and Executive Officer	Yusuke Zushi
	Director and Executive Officer	Hideo Fujio
	Director and Executive Officer	Ryosuke Naniwa
	Auditor	Shigekazu Tanaka
	Auditor (Outside)	Tsuneo Yamada
	Auditor (Outside)	Shigetoshi Inouchi
	Executive Officer	Makoto Maezono
	Executive Officer	Ichiro Sato
	Executive Officer	Kouya Sakano
	Executive Officer	Kazunori Yoda
	Executive Officer	Hideki Takamori
Listed Exchanges	Osaka Securities Exchange, Hercules	
Securities code	2 7 5 2	
Website	http://www.fujiofood.com/	