

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018**[Japanese GAAP]**

| | | | |
|--|---|----------|---|
| Company name: | SRS HOLDINGS CO.,LTD. | Listing: | Tokyo Stock Exchange, First Section |
| Securities code: | 8163 | URL: | https://srs-holdings.co.jp/ |
| Representative: | Masahiko Shigesato, President & Chief Executive Officer | | |
| Contact: | Masahiro Tanaka, Director & Head of Administration Division | Tel: | +81-6-7222-3101 |
| Scheduled date of ordinary general meeting of shareholders: | June 28, 2018 | | |
| Scheduled date of payment of dividend: | June 29, 2018 | | |
| Scheduled date of filing of Securities Report: | June 29, 2018 | | |
| Preparation of supplementary references regarding financial results: | No | | |
| Holding of financial results briefing: | Yes (For institutional investors and analysts) | | |

*(All amounts are rounded down to the nearest million yen)***1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)****(1) Consolidated operating results** (Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---------------------------------|-------------|-----|------------------|--------|-----------------|------|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended Mar. 31, 2018 | 44,155 | 1.8 | 741 | 82.6 | 592 | 42.2 | 108 | - |
| Fiscal year ended Mar. 31, 2017 | 43,354 | 8.2 | 405 | (25.1) | 416 | 15.3 | (234) | - |

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 177 (-%)
Fiscal year ended Mar. 31, 2017: (80) (-%)

| | Net income per share | Diluted net income per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to sales |
|---------------------------------|----------------------|------------------------------|------------------|--|------------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended Mar. 31, 2018 | 3.27 | - | 0.8 | 1.9 | 1.7 |
| Fiscal year ended Mar. 31, 2017 | (7.05) | - | (1.6) | 1.4 | 0.9 |

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2018: -
Fiscal year ended Mar. 31, 2017: -

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of Mar. 31, 2018 | 30,768 | 14,214 | 45.8 | 423.98 |
| As of Mar. 31, 2017 | 31,443 | 14,284 | 45.1 | 426.82 |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 14,079 As of Mar. 31, 2017: 14,174

(3) Consolidated cash flow

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalent at end of period |
|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended Mar. 31, 2018 | 1,970 | 1,039 | (984) | 10,732 |
| Fiscal year ended Mar. 31, 2017 | 1,637 | (4,333) | 2,697 | 8,532 |

2. Dividends

| | Dividends per share | | | | | Total dividends | Dividend payout ratio (Consolidated) | Dividends to net assets ratio (Consolidated) |
|---|---------------------|--------|--------|----------|-------|-----------------|--------------------------------------|--|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended Mar. 31, 2017 | - | - | - | 5.00 | 5.00 | 166 | - | 1.2 |
| Fiscal year ended Mar. 31, 2018 | - | - | - | 5.00 | 5.00 | 166 | 153.0 | 1.2 |
| Fiscal year ending Mar. 31, 2019 (forecast) | - | - | - | 5.00 | 5.00 | | 83.0 | |

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net income per share |
|-----------|-------------|-----|------------------|------|-----------------|------|---|------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 46,000 | 4.2 | 1,000 | 34.9 | 1,000 | 68.7 | 200 | 84.3 | 6.02 |

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New companies: 1 company, SATO FOODSERVICE CO.,LTD.

Excluded companies: -

Note: Please refer to “(5) Notes to Consolidated Financial Statements, Business Combinations) on page 21 for further information.

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Mar. 31, 2018: 33,209,080 shares

As of Mar. 31, 2017: 33,209,080 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2018: 294 shares

As of Mar. 31, 2017: 262 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 33,208,814 shares

Fiscal year ended Mar. 31, 2017: 33,208,842 shares

(Reference) Summary of Non-consolidated Financial Results**Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)**

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|---------------------------------|-------------|--------|------------------|--------|-----------------|-------|-------------|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended Mar. 31, 2018 | 25,899 | (24.2) | 194 | 955.2 | 189 | (6.1) | 20 | - |
| Fiscal year ended Mar. 31, 2017 | 34,145 | 2.9 | 18 | (83.8) | 201 | 26.4 | (219) | - |

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Fiscal year ended Mar. 31, 2018 | 0.60 | - |
| Fiscal year ended Mar. 31, 2017 | (6.62) | - |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of Mar. 31, 2018 | 26,759 | 13,827 | 51.7 | 416.37 |
| As of Mar. 31, 2017 | 28,509 | 13,948 | 48.9 | 420.01 |

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2018: 13,827

As of Mar. 31, 2017: 13,948

*** This financial report is not subject to audit by certified public accountants or auditing firms.**

*** Explanation regarding appropriate use of the earnings forecasts and other special notes**

Forecasts regarding future performance in this document are based on certain assumptions judged to be valid and information currently available to us. Actual performance may differ significantly from these forecasts for a number of factors.

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1. Overview of Results of Operations**(1) Results of Operations**

1) Consolidated performance

(Millions of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | | | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) | | |
|---|--|---------------------------|----------------------|--|---------------------------|----------------------|
| | Results | YoY change (Amount) | YoY change (%) | Results | YoY change (Amount) | YoY change (%) |
| Net sales | 43,354 | 3,293 | 8.2 | 44,155 | 800 | 1.8 |
| Operating profit | 405 | (136) | (25.1) | 741 | 335 | 82.6 |
| Ordinary profit | 416 | 55 | 15.3 | 592 | 175 | 42.2 |
| Profit attributable to owners of parent | (234) | (240) | - | 108 | 342 | - |

In the fiscal year ended March 31, 2018, sales were higher than one year earlier. Sales declined due to the sale of the *Sushi-han* business, but this was offset by the opening of new restaurants and the inclusion of MIYAMOTO MUNASHI CO., LTD., which became a wholly owned subsidiary in September 2016.

Earnings benefited from a decline in expenses because of the advisory fee one year earlier involving the acquisition of MIYAMOTO MUNASHI and growth in earnings at subsidiaries. As a result, operating profit and ordinary profit increased.

Profit attributable to owners of parent increased due to a gain of 284 million yen on the sale of the shares of a subsidiary following the sale of the *Sushi-han* business and other factors.

2) Opening and closure of restaurants

(Number of restaurants)

| Name | FY3/17 (As of Mar. 31, 2017) | Newly opened restaurants | Closed restaurants | FY3/18 (As of Mar. 31, 2018) | Restaurants planned to open during FY3/18 |
|------------------------------------|------------------------------------|--------------------------------|-----------------------|------------------------------------|---|
| <i>Washoku Sato</i> | 202 (-) | 1 (-) | 3 (-) | 200 (-) | 2 (-) |
| <i>Tendon Tempura Honpo Santen</i> | 40 (1) | 6 (1) | - (-) | 46 (2) | 13 (5) |
| <i>Meotozenzai</i> | 1 (-) | - (-) | - (-) | 1 (-) | - (-) |
| <i>Nigiri Chojiro</i> *1 | 57 (-) | 1 (-) | 1 (-) | 57 (-) | 3 (-) |
| <i>Nigiri Chujiro</i> | 6 (-) | - (-) | - (-) | 6 (-) | - (-) |
| <i>Miyakobito</i> | 15 (14) | - (-) | 1 (1) | 14 (13) | - (-) |
| <i>Meshiya Miyamoto Munashi</i> | 69 (7) | 2 (-) | 5 (1) | 66 (6) | 1 (-) |
| <i>Katsuya</i> | 36 (19) | 3 (-) | 3 (3) | 36 (16) | 5 (3) |
| <i>Sushi-han</i> *2 | 13 (-) | - (-) | 13 (-) | - (-) | - (-) |
| Domestic total | 439 (41) | 13 (1) | 26 (5) | 426 (37) | 24 (8) |
| Overseas stores | 6 (4) | - (-) | - (-) | 6 (4) | 1 (-) |
| Worldwide total | 445 (45) | 13 (1) | 26 (5) | 432 (41) | 25 (8) |

Note: Numbers in parentheses represent FC restaurants (domestic) and joint venture restaurants (overseas).

*1. *Nigiri Chojiro* includes *Chojiro* restaurants.

*2. 13 *Sushi-han* restaurants decreased because the *Sushi-han* business was sold to UMENOHANA CO., LTD. on April 1, 2017.

3) Other measures

At *Washoku Sato* restaurants, following on the progress made since last year, we completed the installation of *Sato Bar & Sato Café*, which have self-serve facilities for alcoholic and other beverages, in line with the plan of 197 stores as of the end of March 2018. Customers appreciated the new all-you-can-drink style, and sales followed an upward trend. In addition, regarding the core products *Sato-Shabu* (all-you-can-eat shabu-shabu) and *Sato-Suki* (all-you-can-eat sukiyaki), sales continue to increase even after 10 years since their launch due to the use of domestically produced vegetables and improvements to “popular sushi” and other measures. In

addition, around the turn of the new year, we sold *Sato-Shabu Banquet Plan with Snow Crab* and received very large numbers of customer bookings.

At *Santen* restaurants, we revised the Grand Menu by enlarging the children's menu and making other changes. We also strengthened the menu selection for family groups, and in addition to the seasonal menu items, we sold limited-time-only dishes such as *Chili Pork Tendon* (tempura served over rice in a bowl), *Negi Chashu* (leek and roasted pork fillet) *Tendon*, *Pork Tama* (pork and egg) *Tendon*, and *Tori Zukushi* (all-chicken) *Tendon*.

Nigiri Chojiro restaurants offered seasonal menu items featuring special ingredients for each season of the year. In order to provide even more enjoyment to customers, these restaurants offered limited quantities of fresh bluefin tuna, Suma-Katsuo eastern little tuna, Akoh red-spotted grouper and other seafood shipped to restaurants directly from where the fish were caught. Also, in accordance with the events of the season, we also sold from event-based menu items including Halloween, Christmas, *Marukaburi Sushi* (the beginning of spring), and *Hina Nidan Chirashi* (Girl's Day on March 3), and undertook campaigns in which TV commercials, websites, and social media were linked. Moreover, in December 2017, we redecorated the urban-style *Chojiro* restaurant in Shijyokiyamachi, Kyoto, which is popular among foreign visitors to Japan.

At *Meshiya Miyamoto Munashi* restaurants, we are redecorating restaurants and introduced new dishes every two weeks for the revitalization of restaurants. While closing five restaurants, we opened the first new *Meshiya Miyamoto Munashi* restaurants in about eight years: one at Tenjinbashisuji 3-chome and one in front of JR Teradacho station.

We made the transition to a holding company structure on October 1, 2017. The objective is to speed up decision-making by separating the function of determining management strategies and the function of conducting business operations. The company name was changed from SATO RESTAURANT SYSTEMS CO., LTD. to SRS HOLDINGS CO.,LTD. In addition, the restaurant and franchise HQ operation businesses were transferred to SATO FOODSERVICE CO.,LTD., which was established on April 11, 2017.

The segment information is not provided because we have only a single segment of food service business.

(2) Financial Position

Total assets at the end of the fiscal year decreased 674 million yen from the end of the previous fiscal year to 30,768 million yen.

Current assets increased 2,451 million yen from the end of the previous fiscal year to 13,358 million yen. This was mainly due to an increase of 2,306 million yen in cash and deposits.

Non-current assets decreased 3,145 million yen to 17,303 million yen. This was primarily due to decreases of 1,910 million yen in land and 398 million yen in other intangible assets.

Current liabilities increased 55 million yen from the end of the previous fiscal year to 7,648 million yen mainly due to a decrease of 411 million yen in long-term loans payable, and increases of 140 million yen in current portion of bonds and 263 million yen in other current liabilities.

Non-current liabilities decreased 660 million yen to 8,905 million yen mainly due to a decrease of 1,006 million yen in long-term loans payable and an increase of 645 million yen in bonds payable.

Net assets were 14,214 million yen, a decrease of 70 million yen from the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") increased 2,200 million yen from the end of the previous fiscal year to 10,732 million yen.

The cash flow components and the main reasons for changes are as described below.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,970 million yen, compared with 1,637 million yen provided in the previous fiscal year. This was mainly due to profit before income taxes of 558 million yen and depreciation

of 1,563 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities was 1,039 million yen, compared with 4,333 million yen used in the previous fiscal year. This was mainly due to proceeds of 2,520 million yen from sales of shares of subsidiaries and payments of 1,719 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 984 million yen, compared with 2,697 million yen provided in the previous fiscal year. This was mainly due to repayments of long-term loans payable of 2,118 million yen and proceeds of 1,268 million yen from issuance of bonds.

(Reference) Trends in cash flow indicators

| | FY3/14 | FY3/15 | FY3/16 | FY3/17 | FY3/18 |
|--|--------|--------|--------|--------|--------|
| Equity ratio (%) | 39.6 | 42.5 | 51.8 | 45.1 | 45.8 |
| Equity ratio based on market value (%) | 91.4 | 123.4 | 94.1 | 89.0 | 103.2 |
| Interest-bearing debt to cash flow ratio (years) | 7.9 | 3.0 | 6.0 | 6.6 | 5.1 |
| Interest coverage ratio (times) | 7.5 | 17.7 | 9.1 | 12.65 | 15.54 |

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

Notes: 1. Market capitalization is calculated by the number of shares outstanding at the end of the period, excluding treasury shares.

2. Operating cash flows are the figures for operating cash flows in the consolidated statement of cash flows.

3. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest.

(4) Outlook

While the Japanese economy is on a gradual recovery trend, the economic outlook remains uncertain due to such factors as wide fluctuations in stock markets and foreign exchange caused by the international situation, including the policies of the U.S. administration and movements in North Korea. Moreover, the business climate of the SRS Group remains challenging due to rising prices for raw materials, tight labor demand, and other factors.

Against this backdrop, we will continue to pursue the management policy of "aiming to be the restaurant that brings the highest customer satisfaction" and we will undertake the following measures to realize the vision of "becoming an essential part of the social infrastructure as a company with a 100-year history".

(Restaurant Opening Measures)

As for restaurant openings, six are planned for *Washoku Sato*, six for *Tendon Tempura Honpo Santen* (including three franchises), six for *Nigiri Chojiro*, three for *Nigiri Chujiro*, five for *Miyamoto Munashi*, seven for *Katsuya* (including two franchises), and one for new business. Overseas, two are planned for *Washoku Sato* restaurants in Taiwan and one in Thailand. A total of 37 new restaurant openings are planned for the domestic and overseas markets.

(Marketing Measures)

At *Washoku Sato* restaurants, we are continuing to improve the popular *Sato-Suki* product and the self-service style alcohol bar/drink bar *Sato Bar & Sato Café* introduced in the current fiscal year with the aim of becoming a family restaurant that still more customers can enjoy. Moreover, we will promote measures for growth at the next stage by such means as experimenting with new models for opening new restaurants and improving kitchen equipment.

At *Santen*, we will open both directly managed and franchised restaurants and accelerate growth while raising profitability based on the *Santen* Step-up Project, which was launched to develop *Santen* restaurants in such

ways as improving product capabilities, strengthening promotion, and enhancing the sales system.

At *Nigiri Chojiro*, we will continue opening new restaurants in the Kansai area while promoting expansion into new commercial areas such as the Chubu area.

At *Miyamoto Munashi*, we are continuing to increase sales by redecorating restaurants and offering limited-time-only dishes. We also plan to upgrade ordering systems to reduce the workload.

At *Katsuya*, we will continue opening directly managed and franchised restaurants in the Kansai area while taking initiatives to boost the profitability of existing restaurants.

(Other Measures)

On October 1, 2017, the Group established the Innovative Operation Development Department, aiming to break away from the labor-intensive model and achieve more efficient store management in order to establish both higher productivity and systematic labor management. We plan to create mobile applications that can reserve, pre-order, and handle electronic payments at all SRS Group restaurants. We also plan to open trial restaurants that use state-of-the-art IT and equipment for more efficiency and self-service, such as allowing guests to choose seats and make payments themselves.

Moreover, as a group-wide issue, we aim to enhance the working environment and, through better management, create and implement appropriate working time plans based on demand projections. We will also continue to maintain strict legal compliance while increasing profitability.

(Outlook)

As of now, the consolidated business results for the next fiscal year are expected to be: 46,000 million yen for net sales, 1,000 million yen for operating profit, 1,000 million yen for ordinary profit, and 200 million yen for profit attributable to owners of parent.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

Our basic policy on profit allocation is to determine it according to performance. Our policy is to maintain the most stable level possible rather than keeping to a specific payout ratio. Meanwhile, retained earnings will be allocated toward areas such as new store investment and renovation of existing restaurants as we strengthen our corporate structure. Based on the above-mentioned policies, we have endeavored to strengthen our financial structure by reorganizing our business to boost profitability. Comprehensively taking into consideration future business prospects and retained earnings, we have determined that the dividend for the end of the period will be 5.00 yen per share. As for the dividend in the next fiscal year, we are planning a payout of 5.00 yen per share at the fiscal year's end.

As specified under the Articles of Incorporation decided at the 43rd annual meeting of shareholders held on June 29, 2011, "Pursuant to Article 459, Paragraph 1 of the Companies Act of Japan, retained earnings can be directed toward dividend payment upon resolution of the board of directors."

Furthermore, the allocation of retained earnings for the current fiscal year is as follows:

| Date of resolution | Total amount of dividend (Thousand yen) | Dividend per share (Yen) |
|---|--|-----------------------------|
| Board of Directors meeting on May 11, 2018 | 166,043 | 5.00 |

2. Corporate Group

Our group is composed of the Company and its six affiliates whose main business is operating restaurants.

We do not provide segment information because we have only a single business segment of food service business.

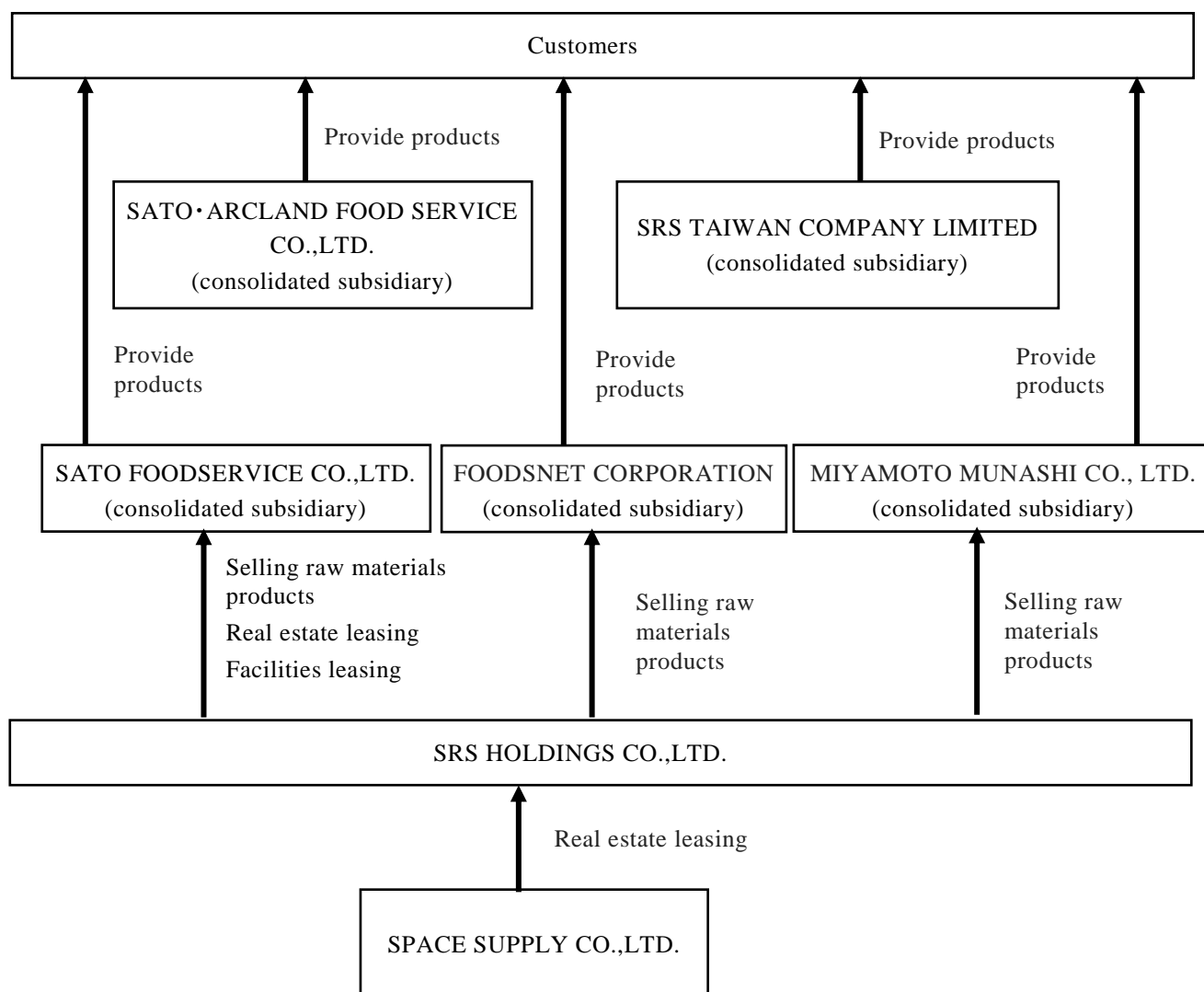
Our group's business content and relationship with the Company are described below with a systematic chart of the business.

(1) Our group's business content and relationship with the Company

Restaurant management: SRS HOLDINGS CO.,LTD., SATO FOODSERVICE CO., LTD., FOODSNET CORPORATION, MIYAMOTO MUNASHI CO., LTD., SATO · ARCLAND FOOD SERVICE CO.,LTD., and SRS TAIWAN COMPANY LIMITED operate restaurants that serve mainly Japanese food.

Others: SPACE SUPPLY CO.,LTD. is primarily involved in the leasing of real estate.

(2) Systematic diagram of the business



3. Basic Approach to the Selection of Accounting Standards

The Group expects to employ Japanese accounting standards for the time being. However, we intend to consider the future adoption of International Financial Reporting Standards (IFRS) depending on the ratio of foreign shareholders and adoption trends among other companies in Japan.

4. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

(Thousands of yen)

| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
|--|---------------------------------|---------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,532,038 | 10,838,502 |
| Accounts receivable - trade | 701,877 | 727,663 |
| Merchandise | 38,432 | 37,923 |
| Raw materials and supplies | 824,721 | 787,256 |
| Deferred tax assets | 216,754 | 209,306 |
| Other | 593,173 | 757,544 |
| Total current assets | 10,906,999 | 13,358,196 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 18,451,765 | 17,288,703 |
| Accumulated depreciation | *3 (15,281,820) | *3 (14,141,548) |
| Buildings and structures, net | *2 3,169,945 | *2 3,147,154 |
| Machinery, equipment and vehicles | 757,842 | 728,667 |
| Accumulated depreciation | *3 (640,403) | *3 (625,619) |
| Machinery, equipment and vehicles, net | 117,438 | 103,048 |
| Land | *2, *4 4,742,506 | *2, *4 2,832,185 |
| Leased assets | 2,086,317 | 2,140,517 |
| Accumulated depreciation | *3 (813,116) | *3 (1,091,215) |
| Leased assets, net | 1,273,200 | 1,049,301 |
| Construction in progress | 1,546 | 48,970 |
| Other | 3,567,144 | 3,909,895 |
| Accumulated depreciation | *3 (2,829,829) | *3 (2,916,114) |
| Other, net | 737,314 | 993,780 |
| Total property, plant and equipment | 10,041,952 | 8,174,440 |
| Intangible assets | | |
| Goodwill | 2,621,590 | 2,449,528 |
| Other | 1,353,616 | 955,493 |
| Intangible assets | 3,975,206 | 3,405,022 |
| Investments and other assets | | |
| Investment securities | *1, *2 1,036,523 | *1, *2 698,768 |
| Long-term loans receivable | 1,028,180 | 1,000,642 |
| Guarantee deposits | 3,309,339 | 3,191,254 |
| Deferred tax assets | 561,214 | 439,026 |
| Other | 508,972 | 402,905 |
| Allowance for doubtful accounts | (11,947) | (8,193) |
| Total investments and other assets | 6,432,284 | 5,724,404 |
| Total non-current assets | 20,449,443 | 17,303,867 |
| Deferred assets | 86,814 | 106,542 |
| Total assets | 31,443,256 | 30,768,606 |

(Thousands of yen)

| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
|---|---------------------------------|---------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 1,374,812 | 1,354,133 |
| Current portion of bonds | 475,000 | 615,000 |
| Current portion of long-term loans payable | *2 2,086,780 | *2 1,675,520 |
| Lease obligations | 145,051 | 145,505 |
| Accounts payable - other | 2,031,837 | 2,010,721 |
| Income taxes payable | 411,451 | 497,408 |
| Provision for bonuses | 281,843 | 300,917 |
| Other | 786,011 | 1,049,258 |
| Total current liabilities | 7,592,787 | 7,648,465 |
| Non-current liabilities | | |
| Bonds payable | 3,335,000 | 3,980,000 |
| Long-term loans payable | *2 3,528,177 | *2 2,521,481 |
| Lease obligations | 1,260,110 | 1,204,812 |
| Deferred tax liabilities for land revaluation | *4 252,387 | *4 82,947 |
| Deferred tax liabilities | 262,188 | 145,868 |
| Provision for directors' retirement benefits | 29,578 | 27,753 |
| Asset retirement obligations | 649,700 | 672,272 |
| Other | 248,432 | 270,373 |
| Total non-current liabilities | 9,565,576 | 8,905,508 |
| Total liabilities | 17,158,364 | 16,553,973 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,532,856 | 8,532,856 |
| Capital surplus | 4,981,675 | 4,981,675 |
| Retained earnings | 1,000,894 | 1,246,810 |
| Treasury shares | (214) | (245) |
| Total shareholders' equity | 14,515,211 | 14,761,096 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 236,621 | 261,692 |
| Revaluation reserve for land | *4 (577,541) | *4 (962,306) |
| Foreign currency translation adjustment | - | 19,260 |
| Total accumulated other comprehensive income | (340,919) | (681,352) |
| Non-controlling interests | 110,600 | 134,889 |
| Total net assets | 14,284,892 | 14,214,633 |
| Total liabilities and net assets | 31,443,256 | 30,768,606 |

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statement of Income)

| | (Thousands of yen) | |
|--|--|--|
| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
| Net sales | 43,354,985 | 44,155,516 |
| Cost of sales | 14,885,417 | 15,367,304 |
| Gross profit | 28,469,567 | 28,788,212 |
| Selling, general and administrative expenses | | |
| Directors' compensations | 185,400 | 190,020 |
| Salaries and allowances | 13,095,295 | 13,103,055 |
| Employees' bonuses | 287,756 | 285,000 |
| Provision for bonuses | 278,038 | 289,604 |
| Welfare expenses | 1,121,662 | 1,182,258 |
| Retirement benefit expenses | 229,237 | 219,216 |
| Utilities expenses | 1,729,141 | 1,818,200 |
| Supplies expenses | 1,186,236 | 1,151,398 |
| Rent expenses | 4,369,134 | 4,493,368 |
| Repair expenses | 515,904 | 502,908 |
| Depreciation | 1,454,448 | 1,549,114 |
| Miscellaneous expenses | 3,473,567 | 3,090,669 |
| Amortization of goodwill | 137,831 | 172,061 |
| Total selling, general and administrative expenses | 28,063,655 | 28,046,876 |
| Operating profit | 405,912 | 741,335 |
| Non-operating income | | |
| Interest income | 14,989 | 16,149 |
| Dividend income | 17,752 | 18,363 |
| House rent income | 70,817 | 73,121 |
| Foreign exchange gains | 87,241 | - |
| Miscellaneous income | 55,127 | 71,107 |
| Total non-operating income | 245,928 | 178,742 |
| Non-operating expenses | | |
| Interest expenses | 129,449 | 126,846 |
| Rent expenses on real estates | 64,769 | 59,849 |
| Foreign exchange losses | - | 87,781 |
| Miscellaneous loss | 40,728 | 52,836 |
| Total non-operating expenses | 234,947 | 327,313 |
| Ordinary profit | 416,893 | 592,764 |
| Extraordinary income | | |
| Gain on sales of investment securities | - | *4 35,077 |
| Gain on sales of shares of subsidiaries | - | *3 284,325 |
| Total extraordinary income | - | 319,403 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | *1 22,702 | *1 35,196 |
| Loss on valuation of investment securities | 59,315 | 12,075 |
| Loss on cancellation of rental contracts | 410 | - |
| Impairment loss | *2 132,172 | *2 306,445 |
| Transfer lump-sum | 48,517 | - |
| Loss on closing of stores | 888 | - |
| Total extraordinary losses | 264,007 | 353,717 |
| Profit before income taxes | 152,885 | 558,449 |
| Income taxes - current | 337,326 | 592,814 |
| Income taxes - deferred | 46,607 | (167,179) |
| Total income taxes | 383,934 | 425,634 |
| Profit (loss) | (231,048) | 132,814 |
| Profit attributable to non-controlling interests | 2,992 | 24,288 |
| Profit (loss) attributable to owners of parent | (234,040) | 108,525 |

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|--|--|--|
| Profit (loss) | (231,048) | 132,814 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 127,644 | 25,070 |
| Revaluation reserve for land | 22,520 | - |
| Foreign currency translation adjustment | - | 19,260 |
| Total other comprehensive income | * 150,165 | * 44,331 |
| Comprehensive income | (80,882) | 177,146 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (83,874) | 152,857 |
| Comprehensive income attributable to non-controlling interests | 2,992 | 24,288 |

(3) Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 8,532,856 | 4,981,675 | 1,400,978 | (173) | 14,915,337 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (166,044) | | (166,044) |
| Profit (loss) attributable to owners of parent | | | (234,040) | | (234,040) |
| Purchase of treasury shares | | | | (41) | (41) |
| Reversal of revaluation reserve for land | | | | | - |
| Change of scope of consolidation | | | | | - |
| Change of scope of consolidation - foreign currency translation adjustment | | | | | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | (400,084) | (41) | (400,126) |
| Balance at end of current period | 8,532,856 | 4,981,675 | 1,000,894 | (214) | 14,515,211 |

(Thousands of yen)

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 108,976 | (600,061) | - | (491,085) | 107,608 | 14,531,860 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | | | | | (166,044) |
| Profit (loss) attributable to owners of parent | | | | | | (234,040) |
| Purchase of treasury shares | | | | | | (41) |
| Reversal of revaluation reserve for land | | | | | | - |
| Change of scope of consolidation | | | | | | - |
| Change of scope of consolidation - foreign currency translation adjustment | | | | | | - |
| Net changes of items other than shareholders' equity | 127,644 | 22,520 | - | 150,165 | 2,992 | 153,157 |
| Total changes of items during period | 127,644 | 22,520 | - | 150,165 | 2,992 | (246,968) |
| Balance at end of current period | 236,621 | (577,541) | - | (340,919) | 110,600 | 14,284,892 |

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 8,532,856 | 4,981,675 | 1,000,894 | (214) | 14,515,211 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (166,044) | | (166,044) |
| Profit (loss) attributable to owners of parent | | | 108,525 | | 108,525 |
| Purchase of treasury shares | | | | (30) | (30) |
| Reversal of revaluation reserve for land | | | 384,764 | | 384,764 |
| Change of scope of consolidation | | | (81,330) | | (81,330) |
| Change of scope of consolidation - foreign currency translation adjustment | | | | | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | 245,916 | (30) | 245,885 |
| Balance at end of current period | 8,532,856 | 4,981,675 | 1,246,810 | (245) | 14,761,096 |

(Thousands of yen)

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 236,621 | (577,541) | - | (340,919) | 110,600 | 14,284,892 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | | | | | (166,044) |
| Profit (loss) attributable to owners of parent | | | | | | 108,525 |
| Purchase of treasury shares | | | | | | (30) |
| Reversal of revaluation reserve for land | | | | | | 384,764 |
| Change of scope of consolidation | | | | | | (81,330) |
| Change of scope of consolidation - foreign currency translation adjustment | | | 19,260 | 19,260 | | 19,260 |
| Net changes of items other than shareholders' equity | 25,070 | (384,764) | | (359,694) | 24,288 | (335,405) |
| Total changes of items during period | 25,070 | (384,764) | 19,260 | (340,433) | 24,288 | (70,258) |
| Balance at end of current period | 261,692 | (962,306) | 19,260 | (681,352) | 134,889 | 14,214,633 |

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 152,885 | 558,449 |
| Depreciation | 1,466,348 | 1,563,697 |
| Amortization of goodwill | 137,831 | 172,061 |
| Impairment loss | 132,172 | 306,445 |
| Increase (decrease) in provision for bonuses | 8,927 | 19,074 |
| Increase (decrease) in allowance for doubtful accounts | (1,558) | (3,754) |
| Increase (decrease) in provision for directors' retirement benefits | - | (1,825) |
| Increase (decrease) in provision for loss on store closing | (8,599) | - |
| Interest and dividend income | (32,741) | (34,513) |
| Interest expenses | 129,449 | 126,846 |
| Loss (gain) on valuation of investment securities | 59,315 | 12,075 |
| Loss (gain) on sales of investment securities | - | (35,077) |
| Loss on retirement of non-current assets | 22,702 | 35,196 |
| Transfer lump-sum | 48,517 | - |
| Loss on store closings | 888 | - |
| Loss (gain) on sales of shares of subsidiaries | - | (284,325) |
| Decrease (increase) in notes and accounts receivable - trade | (98,876) | (25,757) |
| Decrease (increase) in inventories | (100,383) | 48,290 |
| Increase (decrease) in notes and accounts payable - trade | 194,832 | (37,744) |
| Increase (decrease) in accounts payable - other | (215,479) | (34,338) |
| Increase (decrease) in accrued consumption taxes | (17,182) | 289,831 |
| Decrease (increase) in consumption taxes refund receivable | - | (226,601) |
| Other, net | 85,754 | 724 |
| Subtotal | 1,964,804 | 2,448,755 |
| Interest and dividend income received | 17,723 | 21,545 |
| Interest expenses paid | (128,682) | (126,627) |
| Income taxes refund | 40,865 | 20,770 |
| Income taxes paid | (257,326) | (393,721) |
| Net cash provided by (used in) operating activities | 1,637,384 | 1,970,722 |
| Cash flows from investing activities | | |
| Payments into time deposits | (333,986) | (950,834) |
| Proceeds from withdrawal of time deposits | 365,541 | 856,756 |
| Purchase of property, plant and equipment | (1,333,077) | (1,719,293) |
| Proceeds from sales of property, plant and equipment | 825 | - |
| Purchase of investment securities | (9,842) | - |
| Proceeds from sales of investment securities | - | 162,363 |
| Purchase of intangible assets | (206,850) | (105,641) |
| Proceeds from sales of intangible assets | - | 303,415 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (2,381,665) | - |
| Proceeds from sales of shares of subsidiaries | - | *2 2,520,000 |
| Purchase of shares of subsidiaries and associates | (116,230) | - |
| Payments for guarantee deposits | (87,097) | (63,363) |
| Proceeds from collection of guarantee deposits | 66,741 | 129,366 |
| Payments of construction assistance fund receivables | (249,312) | (70,107) |
| Collection of construction assistance fund receivables | 89,987 | 89,394 |
| Other, net | (138,165) | (113,016) |
| Net cash provided by (used in) investing activities | (4,333,129) | 1,039,040 |

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|--|--|--|
| Cash flows from financing activities | | |
| Proceeds from long-term loans payable | 2,050,000 | 700,000 |
| Repayments of long-term loans payable | (2,633,023) | (2,118,463) |
| Repayments of finance lease obligations | (222,427) | (153,922) |
| Proceeds from issuance of bonds | 3,858,819 | 1,268,543 |
| Redemption of bonds | (190,000) | (515,000) |
| Purchase of treasury shares | (41) | (30) |
| Cash dividends paid | (166,044) | (166,044) |
| Net cash provided by (used in) financing activities | 2,697,282 | (984,917) |
| Effect of exchange rate change on cash and cash equivalents | (85,880) | 47,329 |
| Net increase (decrease) in cash and cash equivalents | (84,343) | 2,072,174 |
| Cash and cash equivalents at beginning of period | 8,616,381 | 8,532,038 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | - | 128,048 |
| Cash and cash equivalents at end of period | *1 8,532,038 | *1 10,732,262 |

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Notes to Consolidated Balance Sheet

*1. The following items are applicable to a non-consolidated subsidiaries.

| | (Thousands of yen) | |
|--------------------------------|---------------------------------|---------------------------------|
| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
| Investment securities (stocks) | 284,518 | 50,000 |

*2. Assets pledged as collateral and liabilities with collateral

| | (Thousands of yen) | |
|------------------------------|---------------------------------|---------------------------------|
| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
| Assets pledged as collateral | | |
| Buildings and structures | 75,262 | 76,988 |
| Land | 2,804,319 | 2,804,319 |
| Investment securities | 328,859 | 327,590 |
| Total | 3,208,440 | 3,208,898 |
| Liabilities with collateral | | |

| | (Thousands of yen) | |
|---|---------------------------------|---------------------------------|
| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
| Long-term loans payable (including current portion of long-term loans payable) | 3,246,930 | 2,597,380 |

*3. Accumulated depreciation include accumulated impairment losses.

*4. Revaluation of Land

The Company revalued land used for business operations pursuant to the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999), and recorded “deferred tax liabilities for land revaluation” under liabilities and “revaluation reserve for land” under net assets.

- Method of revaluation: Land is revalued by using the method stipulated in “Basic Notice on Asset Valuations for Determining the Value of Land Used for Calculating Land Value Tax” as provided for in Article 16 of the Land Value Tax Act in accordance with Article 2, Item 4 of the Enforcement Regulations for the Act on Revaluation of Land (Ordinance No. 119, March 31, 1998).

- Date of revaluation: March 31, 2000

| | (Thousands of yen) | |
|--|---------------------------------|---------------------------------|
| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
| The difference between the market value of land and book value after revaluation | (2,119,864) | (1,212,457) |

Notes to Consolidated Statement of Income***1. Breakdown of loss on retirement of non-current assets**

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|-----------------------------------|--|--|
| Buildings and structures | 14,508 | 23,143 |
| Machinery, equipment and vehicles | 77 | 643 |
| Property and equipment, others | 5,366 | 11,342 |
| Intangible assets, others | 2,750 | - |
| Investment and other assets | - | 67 |
| Total | 22,702 | 35,196 |

***2. Impairment loss**

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

The Group recognized an impairment loss on the following groups of assets.

(1) Overview of groups of assets for which impairment loss has been recognized

| Primary use | Class | Location |
|--------------|-----------------------------------|--|
| Stores, etc. | Buildings and structures | Katsushika, Tokyo Higashikurume, Tokyo Misato, Saitama Kawagoe, Saitama Funabashi, Chiba |
| | Machinery, equipment and vehicles | Nagoya, Aichi |
| | Lease assets | Kyoto, Kyoto |
| | Property and equipment, others | Osaka, Osaka |
| | Long-term prepaid expenses | Higashiosaka, Osaka Matsubara, Osaka Osakasayama, Osaka Nishinomiya, Hyogo Akashi, Hyogo |

(2) Reason for decision to recognize impairment losses

The book values of assets associated with stores that have been consistently unprofitable and assets associated with stores that are to be closed have been reduced to the amounts that can be recovered. These reductions have been recognized as an extraordinary loss for impairment losses.

(3) Amount of impairment loss

(Thousands of yen)

| Primary use | Class | Amount |
|--------------|-----------------------------------|---------|
| Stores, etc. | Buildings and structures | 85,352 |
| | Machinery, equipment and vehicles | 2,663 |
| | Lease assets | 24,663 |
| | Property and equipment, others | 18,980 |
| | Long-term prepaid expenses | 512 |
| | Total | 132,172 |

(4) Method used to group assets

The Group regards each store as the base unit in identifying the smallest group of assets that generate cash flows. Assets for lease and idle assets, however, are grouped on an individual asset basis.

(5) Method for calculating recoverable amount

The recoverable amount for the asset group is measured using utility value which is calculated by discounting future cash flows by 1.8 to 2.8%.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

The Group recognized an impairment loss on the following groups of assets.

(1) Overview of groups of assets for which impairment loss has been recognized

| Primary use | Class | Location |
|------------------------|---|--------------------|
| Stores, etc. | Buildings and structures Machinery, equipment and vehicles Lease assets Property and equipment, others Long-term prepaid expenses | Nagoya, Aichi |
| | | Ayabe, Kyoto |
| | | Kyoto, Kyoto |
| | | Koshigaya, Saitama |
| | | Kawagoe, Saitama |
| | | Soka, Saitama |
| | | Ranzan, Saitama |
| | | Osakasayama, Osaka |
| | | Osaka, Osaka |
| | | Daito, Osaka |
| | | Ikeda, Osaka |
| Higashiosaka, Osaka | | |
| Yao, Osaka | | |
| Shinonoi, Nagano | | |
| Minato, Tokyo | | |
| Higashikurume, Tokyo | | |
| Musashimurayama, Tokyo | | |
| Tachikawa, Tokyo | | |
| Ikoma, Nara | | |
| Kobe, Hyogo | | |
| Amagasaki, Hyogo | | |
| Takarazuka, Hyogo | | |

(2) Reason for decision to recognize impairment losses

The book values of assets associated with stores that have been consistently unprofitable and assets associated with stores that are to be closed have been reduced to the amounts that can be recovered. These reductions have been recognized as an extraordinary loss for impairment losses.

(3) Amount of impairment loss

(Thousands of yen)

| Primary use | Class | Amount |
|--------------|-----------------------------------|---------|
| Stores, etc. | Buildings and structures | 92,408 |
| | Machinery, equipment and vehicles | 1,048 |
| | Lease assets | 156,967 |
| | Property and equipment, others | 55,606 |
| | Long-term prepaid expenses | 414 |
| | Total | 306,445 |

(4) Method used to group assets

The Group regards each store as the base unit in identifying the smallest group of assets that generate cash flows. Assets for leased and idle assets, however, are grouped on an individual asset basis.

(5) Method for calculating recoverable amount

The recoverable amount for an asset group is measured by using utility value which is calculated by discounting future cash flows by 4.9%.

*3. Gain on sales of shares of subsidiaries

Gain on sales of shares of subsidiaries was recorded due to the sale of all the shares issued of non-consolidated subsidiary SUSHI-HAN CO., LTD.

*4. Gain on sales of investment securities

Gain on sales of investment securities was recorded due to the elimination of cross-shareholdings.

Notes to Consolidated Statement of Comprehensive Income

* Reclassification adjustments and tax effect with respect to other comprehensive income

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|--|--|--|
| Valuation difference on available-for-sale securities: | | |
| Amount incurred during the year | 164,359 | 71,446 |
| Reclassification adjustments | - | (35,321) |
| Before tax effect adjustments | 164,359 | 36,124 |
| Tax effect | (36,714) | (11,054) |
| Valuation difference on available-for-sale securities | 127,644 | 25,070 |
| Revaluation reserve for land | | |
| Tax effect | 22,520 | - |
| Foreign currency translation adjustment | | |
| Amount incurred during the year | - | 19,260 |
| Total other comprehensive income | 150,165 | 44,331 |

Notes to Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

1. Type and number of outstanding shares and treasury shares

(Shares)

| | Number of shares as of Apr. 1, 2016 | Increase | Decrease | Number of shares as of Mar. 31, 2017 |
|----------------------|--|----------|----------|---|
| Outstanding shares | | | | |
| Common shares | 33,209,080 | - | - | 33,209,080 |
| Treasury shares | | | | |
| Common shares (Note) | 212 | 50 | - | 262 |

Note: The number of treasury shares of common shares increased 50 shares due to the acquisition of odd-lot shares.

2. Share acquisition rights

Not applicable.

3. Dividends

(1) Dividend payment

| Resolution | Type of share | Total dividends (Thousands of yen) | Source of funds | Dividend per share (Yen) | Record date | Effective date |
|---|------------------|---------------------------------------|----------------------|-----------------------------|---------------|----------------|
| Board of Directors Meeting on May 11, 2016 | Common shares | 166,044 | Retained earnings | 5.00 | Mar. 31, 2016 | Jun. 30, 2016 |

(2) Dividends with a record date in FY3/17 but an effective date in FY3/18

| Resolution | Type of share | Total dividends (Thousands of yen) | Source of funds | Dividend per share (Yen) | Record date | Effective date |
|---|------------------|---------------------------------------|----------------------|-----------------------------|---------------|----------------|
| Board of Directors Meeting on May 12, 2017 | Common shares | 166,044 | Retained earnings | 5.00 | Mar. 31, 2017 | Jun. 30, 2017 |

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Type of number of outstanding shares and treasury shares

(Shares)

| | Number of shares as of Apr. 1, 2017 | Increase | Decrease | Number of shares as of Mar. 31, 2018 |
|----------------------|--|----------|----------|---|
| Outstanding shares | | | | |
| Common shares | 33,209,080 | - | - | 33,209,080 |
| Treasury shares | | | | |
| Common shares (Note) | 262 | 32 | - | 294 |

Note: The number of treasury shares of common shares increased 32 shares due to the acquisition of odd-lot shares.

2. Share acquisition rights

Not applicable.

3. Dividends

(1) Dividend payment

| Resolution | Type of share | Total dividends (Thousands of yen) | Source of funds | Dividend per share (Yen) | Record date | Effective date |
|--|---------------|------------------------------------|-------------------|--------------------------|---------------|----------------|
| Board of Directors Meeting on May 12, 2017 | Common shares | 166,044 | Retained earnings | 5.00 | Mar. 31, 2017 | Jun. 30, 2017 |

(2) Dividends with a record date in FY3/18 but an effective date in FY3/19

| Resolution | Type of share | Total dividends (Thousands of yen) | Source of funds | Dividend per share (Yen) | Record date | Effective date |
|--|---------------|------------------------------------|-------------------|--------------------------|---------------|----------------|
| Board of Directors Meeting on May 11, 2018 | Common shares | 166,043 | Retained earnings | 5.00 | Mar. 31, 2018 | Jun. 29, 2018 |

Notes to Consolidated Statement of Cash Flows

*1. Reconciliation of cash and cash equivalents at the end of the fiscal year and the balance sheet amount.

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|---|--|--|
| Cash and deposits | 8,532,038 | 10,838,502 |
| Time deposits with maturities over 3 months | - | (106,240) |
| Cash and cash equivalents | 8,532,038 | 10,732,262 |

*2. Assets and liabilities of a subsidiary excluded from the scope of consolidation due to the sale of its shares

SUSHI-HAN CO., LTD. is no longer a consolidated subsidiary due to the sale of its shares. The breakdown of assets and liabilities as of the date of the sale, as well as the sales price of SRS HOLDINGS' shares and net payments for the shares are as follows.

(Thousands of yen)

| | |
|---|------------------|
| Current assets | 1,000 |
| Non-current assets | 2,155,600 |
| Non-current liabilities | 555 |
| Expenses related to sale of shares | 79,629 |
| Sale of the shares of a subsidiary | 284,325 |
| <u>Sale price of shares of a subsidiary</u> | <u>2,520,000</u> |
| Proceeds from sales of shares of a subsidiary | 2,520,000 |

Note: These proceeds are the result of the sale of all shares of SUSHI-HAN CO., LTD., a non-consolidated subsidiary, on April 1, 2017 following the divestiture of the *Sushi-han* business and transfer of this business to this non-consolidated subsidiary.

*3. Material non-cash transactions

Assets and obligations applicable to finance lease transactions

(Thousands of yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|---|--|--|
| Assets and obligations applicable to finance lease transactions | 350,535 | 99,119 |

Business Combinations**Business divestiture**

On April 1, 2017, SRS HOLDINGS (SRS) conducted a simple absorption divestiture of the *Sushi-han* business and transferred this business to SUSHI-HAN CO., LTD., a company established by SRS on February 15, 2017. SRS subsequently sold all shares of SUSHI-HAN CO., LTD. to UMENOHANA CO., LTD.

1. Summary of business divestiture

(1) Company receiving divested business and purchaser of shares

1) Company receiving divested business

SUSHI-HAN CO., LTD.

2) Purchaser of shares

UMENOHANA CO., LTD.

(2) Description of business

Sushi-han Business

(3) Major reason for divestiture

The *Sushi-han* business has made a contribution to sales and earnings for many years as a core business of SRS. *Sushi-han* is a brand that dates back to the founding of SRS and the brand that led *Washoku Sato*, currently the primary brand at SRS, and the new strategic business format that uses the *Tendon Tempura Honpo Santen* brand. In recent years, SRS has been working on building a stable foundation for business operations that is not significantly vulnerable to changes in economic conditions. The current medium-term business plan has the goal of creating and expanding lower-priced business models. As a result, the decision was made to minimize new investments in the *Sushi-han* business from the standpoint of efficiently allocating the resources of the SRS Group.

In addition, management believed that *Sushi-han* did not have good prospects for growth as a member of the SRS Group because there were only 13 of these restaurants.

UMENOHANA CO., LTD., the purchaser of SUSHI-HAN shares, operates restaurants in all areas of Japan, primarily *Umenohana* branded restaurants that serve Japanese dishes using tofu and tofu skin (yuba). The restaurants of this company have a strong position in the higher-priced sector of the restaurant market. Combining *Umenohana*'s expertise involving traditional Japanese cuisine with *Sushi-han*'s expertise involving the preparation of fish is expected to contribute to more progress and growth in all the businesses of UMENOHANA. Furthermore, SRS and UMENOHANA believe this divestiture will position *Sushi-han* for growth. As a member of the UMENOHANA Group, *Sushi-han* will benefit from economies of scale involving the supply of merchandise and the joint procurement of various supplies. Synergies involving logistics and other activities are also anticipated. In addition, there are expectations for the renewed growth of *Sushi-han* by remodeling restaurants and opening new ones as this chain is extended to more areas of Japan, new menu items are added and other actions are taken. For these reasons, SRS decided to sell all shares of SUSHI-HAN to UMENOHANA.

(4) Absorption divestiture date and date of sale of shares

April 1, 2017

(5) Legal structure and other items concerning this transaction

Absorption divestiture: The *Sushi-han* business was divested by SRS and transferred to SUSHI-HAN CO., LTD.

Sale of shares: Shares was sold in return for solely a payment of cash, etc.

2. Accounting information

(1) Gain on sale

| | |
|---|----------------------|
| Gain on sales of shares of subsidiaries | 284,325 thousand yen |
|---|----------------------|

(2) Suitable book value and description of assets and liabilities of the business sold

| | |
|-------------------------|-------------------------------|
| Non-current assets | <u>2,155,600 thousand yen</u> |
| Total assets | <u>2,155,600</u> |
| Non-current liabilities | <u>555</u> |
| Total liabilities | <u>555</u> |

(3) Accounting for shares held

The difference between the consolidated financial statement book value of the shares that was sold and the proceeds from the sale is recognized as extraordinary income for a "gain on sales of shares of subsidiaries."

3. Estimated amount of profits/losses of the divested business in the consolidated financial statements for the consolidated fiscal year ended March 31, 2018

The consolidated statement of income for the fiscal year ended March 31, 2018 has no profit or loss from the divested business because the divestiture and sale took place on the first day of the fiscal year.

Transaction under common control

1. Summary of transaction

In accordance with a resolution approved by the Board of Directors of SATO RESTAURANT SYSTEMS CO., LTD. on June 13, 2017, there was an absorption divestiture on October 1, 2017 for the purpose of changing to a holding company structure. SATO RESTAURANT SYSTEMS CO., LTD. was the divesting company and the company receiving the divested business was SATO FOODSERVICE CO., LTD., which was established on April 11, 2017 as a company to prepare for this divestiture. In conjunction with this divestiture, SATO RESTAURANT SYSTEMS CO., LTD. changed its name to SRS HOLDINGS CO.,LTD. on October 1, 2017.

(1) Name and business activities of companies involved with the divestiture

| | Divesting company (As of September 30, 2017) | Successor company (As of September 30, 2017) | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|-------|------------------|-------|-----------------------------------|-------|--|-------|--------------------------------|-------|--|-------|--|-------|--|-------|--|-------|--|-------|--|---|---------|
| (1) Company name | SATO RESTAURANT SYSTEMS CO., LTD. (Note) | SATO FOODSERVICE CO.,LTD. | | | | | | | | | | | | | | | | | | | | | | |
| (2) Location | 30F Osaka Kokusai Building, 2-3-13, Azuchi-machi, Chuo-ku, Osaka-city, OSAKA | 30F Osaka Kokusai Building, 2-3-13, Azuchi-machi, Chuo-ku, Osaka-city, OSAKA | | | | | | | | | | | | | | | | | | | | | | |
| (3) Representative | Masahiko Shigesato, President & CEO | Masahiko Shigesato, President & CEO | | | | | | | | | | | | | | | | | | | | | | |
| (4) Business | Operation of restaurants, supervision of subsidiaries operating franchise headquarters and other activities, and all associated or related businesses | Operation of restaurants, operating franchise headquarters, etc. | | | | | | | | | | | | | | | | | | | | | | |
| (5) Paid in capital | 8,532 million yen | 1 million yen | | | | | | | | | | | | | | | | | | | | | | |
| (6) Date of establishment | August 27, 1968 | April 11, 2017 | | | | | | | | | | | | | | | | | | | | | | |
| (7) Number of outstanding shares | 33,209,080 | 100 | | | | | | | | | | | | | | | | | | | | | | |
| (8) Year end | March 31 | March 31 | | | | | | | | | | | | | | | | | | | | | | |
| (9) Major shareholder and shareholding ratio | <table border="0"> <tr><td>Yoshitaka Shigesato</td><td>6.72%</td></tr> <tr><td>Yuriko Shigesato</td><td>5.89%</td></tr> <tr><td>Bank of Tokyo-Mitsubishi UFJ,Ltd.</td><td>3.61%</td></tr> <tr><td>Japan Trustee Services Bank, Ltd. (Trust Account 4)</td><td>2.58%</td></tr> <tr><td>Kirin Brewery Company, Limited</td><td>1.81%</td></tr> <tr><td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td><td>1.31%</td></tr> <tr><td>Japan Trustee Services Bank, Ltd. (Trust Account)</td><td>1.17%</td></tr> <tr><td>Japan Trustee Services Bank, Ltd. (Trust Account 2)</td><td>0.92%</td></tr> <tr><td>Japan Trustee Services Bank, Ltd. (Trust Account 1)</td><td>0.91%</td></tr> <tr><td>Merrill Lynch Japan Securities Co., Ltd.</td><td>0.87%</td></tr> </table> | Yoshitaka Shigesato | 6.72% | Yuriko Shigesato | 5.89% | Bank of Tokyo-Mitsubishi UFJ,Ltd. | 3.61% | Japan Trustee Services Bank, Ltd. (Trust Account 4) | 2.58% | Kirin Brewery Company, Limited | 1.81% | Japan Trustee Services Bank, Ltd. (Trust Account 5) | 1.31% | Japan Trustee Services Bank, Ltd. (Trust Account) | 1.17% | Japan Trustee Services Bank, Ltd. (Trust Account 2) | 0.92% | Japan Trustee Services Bank, Ltd. (Trust Account 1) | 0.91% | Merrill Lynch Japan Securities Co., Ltd. | 0.87% | <table border="0"> <tr><td>SATO RESTAURANT SYSTEMS CO., LTD. (Note)</td><td>100.00%</td></tr> </table> | SATO RESTAURANT SYSTEMS CO., LTD. (Note) | 100.00% |
| Yoshitaka Shigesato | 6.72% | | | | | | | | | | | | | | | | | | | | | | | |
| Yuriko Shigesato | 5.89% | | | | | | | | | | | | | | | | | | | | | | | |
| Bank of Tokyo-Mitsubishi UFJ,Ltd. | 3.61% | | | | | | | | | | | | | | | | | | | | | | | |
| Japan Trustee Services Bank, Ltd. (Trust Account 4) | 2.58% | | | | | | | | | | | | | | | | | | | | | | | |
| Kirin Brewery Company, Limited | 1.81% | | | | | | | | | | | | | | | | | | | | | | | |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 1.31% | | | | | | | | | | | | | | | | | | | | | | | |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1.17% | | | | | | | | | | | | | | | | | | | | | | | |
| Japan Trustee Services Bank, Ltd. (Trust Account 2) | 0.92% | | | | | | | | | | | | | | | | | | | | | | | |
| Japan Trustee Services Bank, Ltd. (Trust Account 1) | 0.91% | | | | | | | | | | | | | | | | | | | | | | | |
| Merrill Lynch Japan Securities Co., Ltd. | 0.87% | | | | | | | | | | | | | | | | | | | | | | | |
| SATO RESTAURANT SYSTEMS CO., LTD. (Note) | 100.00% | | | | | | | | | | | | | | | | | | | | | | | |

Note: The divesting company was changed its name to SRS HOLDINGS CO.,LTD. on October 1, 2017.

(2) Acquisition date

October 1, 2017

(3) Legal method of combination

Absorption divestiture with SATO RESTAURANT SYSTEMS CO., LTD. the divesting company and SATO FOODSERVICE CO., LTD. the company receiving the divested business

(4) Purpose of the absorption divestiture

The shift to a holding company by using a divestiture was done in order to create separate companies for determining

management strategies and conducting business operations. The objectives are to speed up decision-making, improve the ability to give people skills needed to become managers, and operate businesses with speed and flexibility.

2. Summary of accounting methods applied

As a transaction of units under the same control, the transaction was processed in accordance with “Accounting Standard for Business Combinations” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures”.

Segment and Other Information

Segment information

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) and FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

We do not provide segment information because we have only a single business segment of food service business.

Related information

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) and FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Information by product and service

Omitted since sales to external customers which account for more than 90% of net sales shown on the consolidated statement of income are derived from a single product or service category.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Omitted since no external client accounts for more than 10% of sales on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) and FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Omitted since the Group has only a single business segment of food service business.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) and FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Omitted since the Group has only a single business segment of food service business.

Information related to gain on bargain purchase for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) and FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

Per-share Information

(Yen)

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|-----------------------------|--|--|
| Net assets per share | 426.82 | 423.98 |
| Net income (loss) per share | (7.05) | 3.27 |

Notes: 1. Diluted net income per share for FY3/17 is not presented since the Company posted a net loss, and has no outstanding dilutive securities. Diluted net income per share for FY3/18 is not presented since the Company has no outstanding dilutive securities.

2. Basis for calculating net assets per share is as follows.

| | FY3/17 (As of Mar. 31, 2017) | FY3/18 (As of Mar. 31, 2018) |
|---|---------------------------------|---------------------------------|
| Total net assets (Thousands of yen) | 14,284,892 | 14,214,633 |
| Deduction on total net assets (Thousands of yen) | 110,600 | 134,889 |
| [of which non-controlling interests (Thousands of yen)] | [110,600] | [134,889] |
| Net assets applicable to common shares (Thousands of yen) | 14,174,291 | 14,079,743 |
| Number of common shares at end of period used in calculation of net assets per share (Shares) | 33,208,818 | 33,208,786 |

3. Basis for calculating net income per share is as follows.

| | FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) | FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) |
|---|--|--|
| Profit (loss) attributable to owners of parent (Thousands of yen) | (234,040) | 108,525 |
| Amounts not available to common shareholders (Thousands of yen) | - | - |
| Profit (loss) attributable to owners of parent applicable to common shares (Thousands of yen) | (234,040) | 108,525 |
| Average number of shares outstanding during the period (Shares) | 33,208,842 | 33,208,814 |

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.