

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2018  
(Six Months Ended September 30, 2017)**

[Japanese GAAP]

Company name: SRS HOLDINGS CO.,LTD. Listing: Tokyo Stock Exchange, First Section  
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 Scheduled date of filing of Quarterly Report: November 13, 2017  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary references regarding quarterly results: No  
 Holding of quarterly results briefing: Yes (For institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018  
(April 1, 2017 - September 30, 2017)**

(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	%
Six months ended Sep. 30, 2017	21,695	6.9	260	336.2	256	-	215	-
Six months ended Sep. 30, 2016	20,291	3.0	59	(88.2)	(134)	-	(511)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: (114) (-%)  
 Six months ended Sep. 30, 2016: (528) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	6.48	-
Six months ended Sep. 30, 2016	(15.39)	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2017	30,692	14,389	46.5	429.66
As of Mar. 31, 2017	31,443	14,284	45.1	426.82

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 14,268 As of Mar. 31, 2017: 14,174

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	-	-	5.00	5.00
Fiscal year ending Mar. 31, 2018	-	-	-	-	-
Fiscal year ending Mar. 31, 2018 (forecast)	-	-	-	5.00	5.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)**

(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	44,000	1.5	750	84.8	700	67.9	270	-	8.13

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

FOR TRANSLATION PURPOSE ONLY

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

New companies: None

Excluded companies: None

(2) Application of special accounting methods to the preparation of quarterly consolidated financial statements: None

(3) 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

(4) Number of outstanding shares (common shares)

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

As of Sep. 30, 2017: 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 Sep. 30, 2017: 262 shares

As of Mar. 31, 2017: 262 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017: 33,208,818 shares

Six months ended Sep. 30, 2016: 33,208,861 shares

**\* This report is not subject to quarterly review procedures.**

**\* 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 SRS HOLDINGS. Actual performance may differ significantly from these forecasts for a number of factors

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**1. Qualitative Information on Quarterly Consolidated Financial Performance****(1) Explanation of Results of Operations**

## 1) Consolidated performance

(Millions of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)			First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	20,291	586	3.0	21,695	1,403	6.9
Operating profit	59	(444)	(88.2)	260	200	336.2
Ordinary profit	(134)	(562)	-	256	391	-
Profit attributable to owners of parent	(511)	(693)	-	215	726	-

In the first half of the fiscal year ending March 31, 2018, sales were 6.9% higher than one year earlier. The sale of the Sushi-han business reduced sales, but this was offset by the opening of new restaurants and the inclusion of the sales of Miyamoto Munashi, which became a wholly owned subsidiary in September 2016.

Earnings benefited from the growth in sales and a decline in expenses because of the advisory fee one year earlier involving the acquisition of Miyamoto Munashi. Operating profit increased 200 million yen year on year to 260 million yen. Ordinary profit, which also benefited from the reversal from the previous fiscal year's foreign exchange loss to a foreign exchange gain because of exchange rate movements, increased 391 million yen year on year to 256 million yen.

A gain of 284 million yen on the sale of the shares of a subsidiary was recorded following the sale of the Sushi-han business. As a result, profit attributable to owners of parent increased 726 million yen year on year to 215 million yen.

## 2) Other measures

At Washoku Sato restaurants, progress is continuing with the addition of a Sato Bar & Sato Café, which has self-serve facilities for alcoholic and other beverages. At the end of September 2017, 176 restaurants had a Sato Bar & Sato Café.

Santen restaurants continued to revise menus, such as by increasing the number of items for children and adding more curry dishes, in order to provide more selections for families.

Nigiri Chojiro restaurants offer seasonal menu items featuring different 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, red-spotted grouper and other seafood shipped to restaurants directly from where fish are caught.

To reinvigorate existing locations, Meshiya Miyamoto Munashi restaurants are shortening the cycle of new product introductions and performing renovations. During the first half, three unprofitable restaurants were closed.

During the first half, one Washoku Sato restaurant and one Nigiri Chojiro restaurant were opened and five restaurants were closed. As a result, there were 429 restaurants in Japan and other countries at the end of September 2017.

We made the transition to a holding company structure on October 1, 2017. The objective is to speed up decision-making by separating the functions of determining management strategies and conducting business operations. The company name was changed from SATO RESTAURANT SYSTEMS CO., LTD. to SRS HOLDINGS CO.,LTD. In addition, 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.

## SRS Group Restaurants

(Number of restaurants)

Name	FY3/17 (As of Mar. 31, 2017)	Newly opened restaurants	Closed restaurants	Second quarter of FY3/18 (As of Sep. 30, 2017)	Restaurants planned to open during FY3/18
Washoku Sato	202 (-)	1 (-)	1 (-)	202 (-)	2 (-)
Tendon Tempura Honpo Santen	40 (1)	- (-)	- (-)	40 (1)	13 (5)
Meotozenzai	1 (-)	- (-)	- (-)	1 (-)	- (-)
Nigiri Chojiro <sup>*1</sup>	57 (-)	1 (-)	- (-)	58 (-)	3 (-)
Nigiri Chujiro	6 (-)	- (-)	- (-)	6 (-)	- (-)
Miyakobito	15 (14)	- (-)	- (-)	15 (14)	- (-)
Meshiya Miyamoto Munashi	69 (7)	- (-)	3 (1)	66 (6)	1 (-)
Katsuya	36 (19)	2 (-)	3 (3)	35 (16)	5 (3)
Sushi-han <sup>*2</sup>	13 (-)	- (-)	13 (-)	- (-)	- (-)
Domestic total	439 (41)	4 (-)	20 (4)	423 (37)	24 (8)
Overseas stores	6 (4)	- (-)	- (-)	6 (4)	1 (-)
Worldwide total	445 (45)	4 (-)	20 (4)	429 (41)	25 (8)

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

\*1. Nigiri Chojiro includes CHOJIRO restaurants.

\*2. Thirteen Sushi-han restaurants decreased because the Sushi-han business was sold to Umenohana Co., Ltd. on April 1, 2017.

**(2) Explanation of Financial Position**

(Assets, liabilities and net assets)

Total assets at the end of the second quarter decreased 750 million yen from the end of the previous fiscal year to 30,692 million yen.

(Assets)

Current assets increased 1,325 million yen from the end of the previous fiscal year to 12,232 million yen. This was mainly due to an increase of 1,457 million yen in cash and deposits.

Non-current assets decreased 2,086 million yen to 18,362 million yen. This was primarily due to a decrease of 1,910 million yen in land.

(Liabilities)

Current liabilities decreased 307 million yen from the end of the previous fiscal year to 7,285 million yen due mainly to a decrease of 233 million yen in accounts payable.

Non-current liabilities decreased 547 million yen to 9,017 million yen due mainly to a decrease of 708 million yen in long-term loans payable.

(Net assets)

Net assets were 14,389 million yen, an increase of 104 million yen from the end of the previous fiscal year.

**(3) Cash Flows**

Cash and cash equivalents (hereinafter, “net cash”) increased 1,085 million yen from the end of the previous fiscal year to 9,617 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 495 million yen, compared with 47 million yen provided in the same period of the previous fiscal year. This was mainly due to profit before income taxes of 516 million yen, depreciation of 719 million yen and gain on sales of shares of subsidiaries of 284 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities was 1,103 million yen, compared with 3,351 million yen used in the same period of the previous fiscal year. This was mainly due to proceeds of 2,520 million yen from sales of shares of subsidiaries and 968 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 525 million yen, compared with 1,823 million yen provided in the same period of the previous fiscal year. This was mainly due to net decrease of 723 million yen in long-term loans payable, net increase of 446 million yen in bonds payable and cash dividends paid of 166 million yen.

**(4) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements**

We have revised the consolidated earnings forecasts which were announced on May 12, 2017 in the Summary of Financial Results for the Fiscal Year Ended March 31, 2017.

For more details, please refer to the news release “Notice on Difference between the Forecast and Results for the First Half and Revisions to the Full Year Earnings Forecasts” announced on November 6, 2017 (Japanese version only).

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

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	8,532,038	9,989,808
Accounts receivable - trade	701,877	643,768
Merchandise	38,432	39,231
Raw materials and supplies	824,721	776,304
Deferred tax assets	216,754	204,869
Other	593,173	578,698
Total current assets	10,906,999	12,232,679
Non-current assets		
Property, plant and equipment		
Buildings, net	2,804,695	2,869,713
Land	4,742,506	2,832,185
Other, net	2,494,749	2,620,661
Total property, plant and equipment	10,041,952	8,322,560
Intangible assets		
Goodwill	2,621,590	2,535,559
Other	1,353,616	1,335,799
Total intangible assets	3,975,206	3,871,359
Investments and other assets		
Investment securities	1,036,523	1,100,060
Long-term loans receivable	1,028,180	999,455
Guarantee deposits	3,309,339	3,212,362
Deferred tax assets	561,214	382,332
Other	508,972	485,658
Allowance for doubtful accounts	(11,947)	(11,176)
Total investments and other assets	6,432,284	6,168,693
Total non-current assets	20,449,443	18,362,612
Deferred assets	86,814	97,646
Total assets	31,443,256	30,692,938

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,374,812	1,140,871
Current portion of bonds	475,000	555,000
Current portion of long-term loans payable	2,086,780	2,071,960
Accounts payable - other	2,031,837	1,850,269
Income taxes payable	411,451	392,795
Provision for bonuses	281,843	305,666
Other	931,062	968,960
Total current liabilities	7,592,787	7,285,522
Non-current liabilities		
Bonds payable	3,335,000	3,717,500
Long-term loans payable	3,528,177	2,820,138
Deferred tax liabilities for land revaluation	252,387	82,947
Deferred tax liabilities	262,188	256,544
Provision for directors' retirement benefits	29,578	27,753
Asset retirement obligations	649,700	660,726
Other	1,508,543	1,452,163
Total non-current liabilities	9,565,576	9,017,773
Total liabilities	17,158,364	16,303,295
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,532,856	8,532,856
Capital surplus	4,981,675	4,981,675
Retained earnings	1,000,894	1,435,129
Treasury shares	(214)	(214)
Total shareholders' equity	14,515,211	14,949,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	236,621	281,410
Revaluation reserve for land	(577,541)	(962,306)
Total accumulated other comprehensive income	(340,919)	(680,895)
Non-controlling interests	110,600	121,092
Total net assets	14,284,892	14,389,642
Total liabilities and net assets	31,443,256	30,692,938



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statement of Income)  
(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	20,291,683	21,695,502
Cost of sales	6,908,343	7,496,089
Gross profit	13,383,340	14,199,412
Selling, general and administrative expenses	13,323,697	13,939,226
Operating profit	59,642	260,185
Non-operating income		
Interest income	7,070	8,604
Dividend income	8,824	8,978
House rent income	35,032	37,026
Foreign exchange gains	-	25,437
Miscellaneous income	24,143	35,985
Total non-operating income	75,070	116,032
Non-operating expenses		
Interest expenses	63,279	64,709
Rent expenses on real estates	28,398	30,138
Foreign exchange losses	160,114	-
Miscellaneous loss	17,397	24,631
Total non-operating expenses	269,190	119,479
Ordinary profit (loss)	(134,477)	256,738
Extraordinary income		
Gain on sales of shares of subsidiaries	-	284,325
Total extraordinary income	-	284,325
Extraordinary losses		
Loss on retirement of non-current assets	10,056	17,180
Loss on valuation of investment securities	59,315	-
Impairment loss	12,251	7,567
Loss on closing of stores	888	-
Total extraordinary losses	82,512	24,748
Profit (loss) before income taxes	(216,990)	516,314
Income taxes - current	178,531	294,613
Income taxes - deferred	132,195	(4,065)
Total income taxes	310,727	290,547
Profit (loss)	(527,717)	225,766
Profit (loss) attributable to non-controlling interests	(16,566)	10,491
Profit (loss) attributable to owners of parent	(511,150)	215,275

(Quarterly Consolidated Statement of Comprehensive Income)  
(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Profit (loss)	(527,717)	225,766
Other comprehensive income		
Valuation difference on available-for-sale securities	(690)	44,788
Revaluation reserve for land	-	(384,764)
Total other comprehensive income	(690)	(339,976)
Comprehensive income	(528,407)	(114,209)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(511,840)	(124,700)
Comprehensive income attributable to non-controlling interests	(16,566)	10,491

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(216,990)	516,314
Depreciation	665,123	719,997
Amortization of goodwill	44,954	86,030
Loss (gain) on sales of shares of subsidiaries	-	(284,325)
Impairment loss	12,251	7,567
Loss on store closings	888	-
Increase (decrease) in provision for bonuses	46,768	23,822
Increase (decrease) in allowance for doubtful accounts	(780)	(770)
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	(15,894)	(17,583)
Interest expenses	63,279	64,709
Loss on valuation of investment securities	59,315	-
Loss on retirement of non-current assets	10,056	17,180
Decrease (increase) in notes and accounts receivable - trade	(6,141)	58,109
Decrease (increase) in inventories	22,358	47,619
Increase (decrease) in notes and accounts payable - trade	(62,985)	(233,941)
Increase (decrease) in accrued consumption taxes	(75,267)	(1,963)
Increase (decrease) in accounts payable - other	(454,742)	(181,736)
Other, net	150,489	(20,024)
Subtotal	234,084	799,182
Interest and dividend income received	8,727	10,613
Interest expenses paid	(64,184)	(64,699)
Income taxes refund	40,865	20,770
Income taxes paid	(172,367)	(270,164)
Net cash provided by (used in) operating activities	47,125	495,703
<b>Cash flows from investing activities</b>		
Payments into time deposits	-	(728,244)
Proceeds from withdrawal of time deposits	-	374,649
Purchase of property, plant and equipment	(581,940)	(968,564)
Proceeds from sales of property, plant and equipment	825	-
Purchase of investment securities	(125,072)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,381,665)	-
Proceeds from sales of shares of subsidiaries	-	2,520,000
Purchase of intangible assets	(173,273)	(62,944)
Payments for guarantee deposits	(55,408)	(40,045)
Proceeds from collection of guarantee deposits	42,399	75,146
Payments of construction assistance fund receivables	(89,943)	(45,766)
Collection of construction assistance fund receivables	45,267	44,089
Other, net	(32,829)	(64,583)
Net cash provided by (used in) investing activities	(3,351,639)	1,103,736

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	1,500,000	350,000
Proceeds from issuance of bonds	1,958,347	683,793
Repayments of long-term loans payable	(1,310,476)	(1,073,116)
Repayments of finance lease obligations	(108,453)	(82,759)
Redemption of bonds	(50,000)	(237,500)
Purchase of treasury shares	(41)	-
Cash dividends paid	(166,044)	(166,044)
Net cash provided by (used in) financing activities	1,823,330	(525,626)
Effect of exchange rate change on cash and cash equivalents	(54,636)	11,947
Net increase (decrease) in cash and cash equivalents	(1,535,819)	1,085,760
Cash and cash equivalents at beginning of period	8,616,381	8,532,038
Cash and cash equivalents at end of period	7,080,561	9,617,799

**(4) Notes to Quarterly Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

SRS does not provide segment information because it has only a single business segment of food service business.

*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.*