

## DISCLAIMER

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May 10, 2019

**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019****[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  
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 Scheduled date of ordinary general meeting of shareholders: June 27, 2019  
 Scheduled date of payment of dividend: June 28, 2019  
 Scheduled date of filing of Securities Report: June 28, 2019  
 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, 2019 (April 1, 2018 – March 31, 2019)****(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, 2019	44,512	0.8	1,019	37.5	976	64.7	282	160.3
Fiscal year ended Mar. 31, 2018	44,155	1.8	741	82.6	592	42.2	108	-

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 228 (up 29.3%)

Fiscal year ended Mar. 31, 2018: 177 (-%)

	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, 2019	8.51	-	2.0	3.3	2.3
Fiscal year ended Mar. 31, 2018	3.27	-	0.8	1.9	1.7

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2019: -

Fiscal year ended Mar. 31, 2018: -

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	29,274	14,277	48.3	425.83
As of Mar. 31, 2018	30,768	14,214	45.8	423.98

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 14,141 As of Mar. 31, 2018: 14,079

**(3) Consolidated cash flow**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2019	2,084	(1,842)	(1,635)	9,339
Fiscal year ended Mar. 31, 2018	1,970	1,039	(984)	10,732

**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			
Fiscal year ended Mar. 31, 2018	-	-	-	5.00	5.00	166	153.0	1.2
Fiscal year ended Mar. 31, 2019	-	-	-	6.00	6.00	199	70.5	1.4
Fiscal year ending Mar. 31, 2020 (forecast)	-	-	-	5.00	5.00		57.3	

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)***(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	3.3	950	(6.8)	1,000	2.4	290	2.6	8.73

**\* Notes**

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

New companies: -

Excluded companies: -

(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, 2019: 33,209,080 shares

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

2) Number of treasury shares at the end of period

As of Mar. 31, 2019: 343 shares

As of Mar. 31, 2018: 294 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 33,208,768 shares

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

**(Reference) Summary of Non-consolidated Financial Results****Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

(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, 2019	18,193	(29.8)	681	251.2	637	235.9	186	830.1
Fiscal year ended Mar. 31, 2018	25,899	(24.2)	194	955.2	189	(6.1)	20	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	5.61	-
Fiscal year ended Mar. 31, 2018	0.60	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	25,416	13,799	54.3	415.55
As of Mar. 31, 2018	26,759	13,827	51.7	416.37

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2019: 13,799

As of Mar. 31, 2018: 13,827

**\* 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.

## Contents of Attachments

1. Overview of Results of Operations .....	2
(1) Results of Operations .....	2
(2) Financial Position .....	3
(3) Cash Flows .....	3
(4) Outlook .....	4
(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years .....	5
2. Corporate Group .....	6
3. Basic Approach to the Selection of Accounting Standards .....	6
4. Consolidated Financial Statements and Notes .....	7
(1) Consolidated Balance Sheet .....	7
(2) Consolidated Statements of Income and Comprehensive Income .....	9
Consolidated Statement of Income .....	9
Consolidated Statement of Comprehensive Income .....	10
(3) Consolidated Statement of Changes in Equity .....	11
(4) Consolidated Statement of Cash Flows .....	13
(5) Notes to Consolidated Financial Statements .....	15
(Going Concern Assumption) .....	15
(Notes to Consolidated Balance Sheet) .....	15
(Notes to Consolidated Statement of Income) .....	16
(Notes to Consolidated Statement of Comprehensive Income) .....	18
(Notes to Consolidated Statement of Changes in Equity) .....	18
(Notes to Consolidated Statement of Cash Flows) .....	19
(Change in Presentation) .....	20
(Segment and Other Information) .....	20
(Per Share Information) .....	21

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

## 1) Consolidated performance

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)			FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	44,155	800	1.8	44,512	356	0.8
Operating profit	741	335	82.6	1,019	277	37.5
Ordinary profit	592	175	42.2	976	383	64.7
Profit attributable to owners of parent	108	342	-	282	174	160.3

In the fiscal year ended March 31, 2019, heavy rain and flooding typhoons, earthquakes and other natural disasters mainly in western Japan, had a negative impact on sales. However, sales were higher than one year earlier because newly opened locations increased the number of restaurants and sales at existing *Nigiri Chojiro* restaurants were higher.

Earnings were higher than one year earlier as the benefits of sales growth and the proper control over selling, general and administrative expenses offset a negative impact caused by higher personnel expenses.

## 2) Opening and closure of restaurants

(Number of restaurants)

Name	FY3/18 (As of Mar. 31, 2018)	Newly opened restaurants	Closed restaurants	FY3/19 (As of Mar. 31 2019)	Restaurants planned to open during FY3/19
<i>Washoku Sato</i>	200 (-)	6 (-)	2 (-)	204 (-)	6 (-)
<i>Tendon Tempura Honpo Santen</i>	46 (2)	2 (-)	5 (1)	43 (1)	6 (3)
<i>Nabeichi</i>	- (-)	1 (-)	- (-)	1 (-)	1 (-)
<i>Meotozenzai</i>	1 (-)	- (-)	- (-)	1 (-)	- (-)
<i>Nigiri Chojiro*</i>	57 (-)	5 (-)	2 (-)	60 (-)	6 (-)
<i>Nigiri Chujiro</i>	6 (-)	1 (-)	- (-)	7 (-)	3 (-)
<i>Miyakobito</i>	14 (13)	- (-)	1 (-)	13 (13)	- (-)
<i>Meshiya Miyamoto Munashi</i>	66 (6)	2 (-)	5 (1)	63 (5)	5 (-)
<i>Katsuya/Karayama</i>	36 (16)	4 (-)	- (-)	40 (16)	7 (2)
Domestic total	426 (37)	21 (-)	15 (2)	432 (35)	34 (5)
Overseas stores	6 (4)	6 (4)	2 (2)	10 (6)	3 (1)
Worldwide total	432 (41)	27 (4)	17 (4)	442 (41)	37 (6)

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

\* *Nigiri Chojiro* includes *Chojiro* restaurants.

## 3) Other measures

*Washoku Sato* restaurants continued to use numerous activities to give customers a reason to visit more frequently. One step was the addition for a limited time only of all-you-can-eat black hair wagyu (Japanese beef) and beef tripe as a premium course to *Sato-Shabu* (all-you-can-eat shabu-shabu) and *Sato-Suki* (all-you-can-eat sukiyaki), which are this restaurant's primary menu items. Another change was the replacement of desserts for premium courses with all-you-can eat soft-serve ice cream so that customers can enjoy various toppings.

*Tendon Tempura Honpo Santen* restaurants sold limited-time-only items such as a seasonal menu featuring oysters from Japan's Seto Inland Sea and sakura shrimp and a Tori Zukushi (all-chicken) Fair to give customers a reason to come more often. To improve quality and productivity, udon broth dispensers were placed in all *Santen* restaurants. There were also measures for serving food faster after receiving orders and reducing the cost of food and ingredients.

*Nigiri Chojiro* restaurants created new menu items in shorter cycles to attract new customers and bring in the same customers more frequently. There were 12 special menus featuring seasonal ingredients. At *Nigiri Chujiro*, a home-delivery sushi restaurant, trials started for a new format that includes an eat-in space in addition to the usual home delivery and take-out services. The aim is to improve profit margins and open more of these restaurants faster. A *Chojiro* restaurant in Shijokiyamachi, Kyoto has gained strong support from foreign tourists. This restaurant has received a Trip Advisor Certificate of Excellence for five consecutive years starting in 2014, which qualifies it for the Trip Advisor Hall of Fame.

*Meshiya Miyamoto Munashi* restaurants continued to concentrate on improving the performance of existing locations. Restaurants sold limited-time-only items such as set menu dishes with beef, beef suki-nabe and seafood sundubu (spicy tofu stew). These restaurants also increased the selection of a la carte dishes. To increase the number of lunch customers, restaurants sold special lunch menu items available only at individual locations.

*Katsuya* restaurants sold limited-time-only menu items like mapo-chicken cutlets and miso cutlets of chicken tsukune (chicken meatballs). There were also marketing activities using a tie-up with a television program.

The segment information is not provided because the SRS Group has only a single segment of food service business.

## **(2) Financial Position**

Total assets at the end of the fiscal year decreased 1,494 million yen from the end of the previous fiscal year to 29,274 million yen.

Current assets decreased 1,422 million yen from the end of the previous fiscal year to 11,726 million yen. This was mainly due to a decrease of 1,498 million yen in cash and deposits.

Non-current assets decreased 74 million yen to 17,438 million yen. This was primarily due to decreases of 179 million yen in leased assets, net, and 172 million yen in goodwill.

Current liabilities decreased 647 million yen from the end of the previous fiscal year to 7,001 million yen mainly due to a decrease of 644 million yen in current portion of long-term loans payable.

Non-current liabilities decreased 910 million yen to 7,995 million yen mainly due to a decrease of 742 million yen in long-term loans payable.

Net assets were 14,277 million yen, an increase of 62 million yen from the end of the previous fiscal year.

## **(3) Cash Flows**

Cash and cash equivalents (hereinafter, "net cash") decreased 1,392 million yen from the end of the previous fiscal year to 9,339 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 2,084 million yen, compared with 1,970 million yen provided in the previous fiscal year. This was mainly due to profit before income taxes of 653 million yen and depreciation of 1,564 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,842 million yen, compared with 1,039 million yen provided in the previous fiscal year. This was mainly due to payments of 1,755 million yen for the purchase of property, plant and equipment, and payments for guarantee deposits of 114 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,635 million yen, compared with 984 million yen used in the previous fiscal year. This was mainly due to repayments of long-term loans payable of 1,687 million yen, and proceeds from issuance of bonds of 683 million yen.

## (Reference) Trends in cash flow indicators

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Equity ratio (%)	42.5	51.8	45.1	45.8	48.3
Equity ratio based on market value (%)	123.4	94.1	89.0	103.2	112.3
Interest-bearing debt to cash flow ratio (years)	3.0	6.0	6.6	5.1	4.2
Interest coverage ratio (times)	17.7	9.1	12.65	15.54	19.29

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**

We expect the outlook for the Japanese economy to remain unclear because of the increasing risk of slower global economic growth due to U.S.-China trade tension, problems involving Brexit and other events. In addition, we foresee a continuation of a difficult operating environment for the Group. Competition with companies outside the restaurant industry is increasing, personnel expenses are rising because of Japan's labor shortage, and consumer spending in Japan is likely to be weak due to the planned consumption tax hike in October 2019 and the accompanying measures to exempt some items from this tax increase.

Against this backdrop, we 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 achieve the goals of the New Medium-term Business plan - Project MIRAI -, which started in the previous fiscal year.

**(Restaurant Opening Measures)**

As for restaurant openings, three are planned for *Washoku Sato*, two for *Tendon Tempura Honpo Santen*, one for *Nabeichi*, five for *Nigiri Chojiro*, two for *Nigiri Chujiro*, two for *Miyamoto Munashi*, three for *Katsuya* (including two franchises), and two for *Karayama*. Overseas, five are planned for *Washoku Sato* restaurants in Taiwan, five in Thailand and one *Nigiri Chojiro* in Singapore. A total of 31 new restaurant openings are planned for the domestic and overseas markets.

**(Marketing Measures)**

*Washoku Sato* restaurants continue to upgrade its *Sato-Shabu* (all-you-can-eat shabu-shabu) and *Sato-Suki* (all-you-can-eat sukiyaki), which are this restaurant's primary menu items. We will also continue to create menu selections that incorporate the self-service all-you-can-drink alcohol bar/beverage bar *Sato Bar & Sato Café*. The objective is to improve productivity and become a family restaurant that can cater to a wider range of customers. In response to the October consumption tax hike and exemptions, *Washoku Sato* plans to expand the home delivery business by using outside delivery companies. Also, all restaurants will start accepting reservations through the *Washoku Sato* website. We plan to take more actions that create new sales channels in order to offer greater convenience for customers.

As in the previous fiscal year, *Santen* is making menu items more attractive, reinforcing promotional activities and improving sales systems in order to make this business model even stronger. In addition, we will start a home-delivery sales channel by using outside delivery companies. *Santen* will also take steps to become more profitable and restart the opening of new restaurants. We will increase the pace of measures to use labor-saving equipment by adding an automated ordering system and performing tests for the use of dishwashing robots.

At *Nigiri Chojiro*, we continue to open new restaurants in the Kansai area while promoting expansion into new commercial areas of the Chubu area. Another activity is the growth of franchising operations in Singapore, site of the first *Nigiri Chojiro* restaurant outside Japan.

*Miyamoto Munashi* restaurants are continuing to redecorate restaurants and offer limited-time-only dishes with

the goal of increasing profitability of existing locations. To increase productivity, we plan to develop a new format for this restaurant and start using an automated ordering system to reduce the workload for the restaurant staff.

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)

All the group companies need to establish both higher productivity and systematic labor management. To accomplish these goals, we plan to shift restaurant operations away from a labor-intensive model in order to boost efficiency. We will take actions to create new forms of added value by combining the value added by AI and robots with the value of services provided by people. Accompanying these measures will be steps to use human resources for only tasks with the highest productivity. Two examples of these activities are the use of AI and robots for more efficient dishwashing operations and the use of automated ordering systems. We also plan to develop an app that efficiently performs every step from reception, receiving customers' orders to processing payments. We plan to start using this app on a trial basis. In addition, group companies will continue to improve the working environment, upgrade management skills so that people are used properly based on accurate demand forecasts, ensure strict compliance with laws and regulations, and improve profitability.

To succeed in Japan's highly competitive restaurant market, we will continue to consider the use of alliances and M&A for the purposes of continuing to grow, chiefly in the Kansai and Chubu areas, and build stronger relationships with customers.

(Outlook)

As of now, the consolidated business results for the next fiscal year are expected to be: 46,000 million yen for net sales, 950 million yen for operating profit, 1,000 million yen for ordinary profit, and 290 million yen for profit attributable to owners of parent.

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

The basic policy for the distribution of earnings is to base distributions on results of operations. For the dividend, our policy is to maintain stability as much as possible rather than adhering to a specific payout ratio. We use retained earnings for new restaurants, redecoration of existing restaurants and other activities aimed at strengthening our business operations. In accordance with these policies, we have taken steps for the purposes of improving our business processes and increasing financial soundness in order to become more profitable.

For the fiscal year that ended in March 2019, we plan to pay a commemorative dividend of 1 yen per share for the 50<sup>th</sup> anniversary of our establishment, which we reached in August 2018. This dividend expresses our appreciation to shareholders and other stakeholders for their support and cooperation. With the ordinary year-end dividend of 5 yen, this will result in a fiscal year dividend of 6 yen per share. For the fiscal year ending in March 2020, we plan to pay a year-end dividend of 5 yen per share.

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."

The dividend from 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 10, 2019	199,252	6.00

## 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.

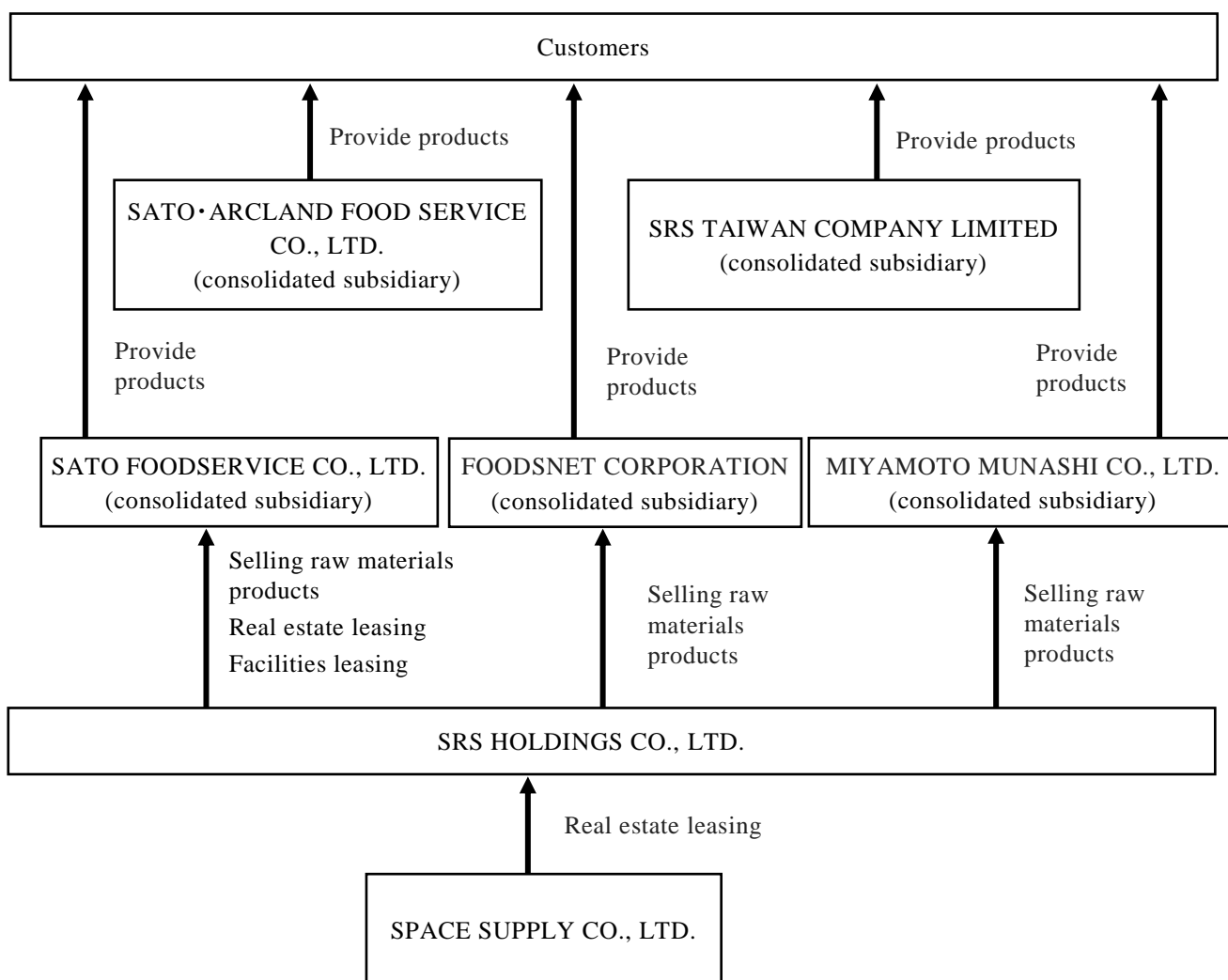
Our group's business content and relationship with the Company are described below with a systematic chart of the business.

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

Restaurant management: 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)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	10,838,502	9,339,721
Accounts receivable - trade	727,663	842,705
Merchandise	37,923	37,525
Raw materials and supplies	787,256	669,858
Other	757,544	836,339
Total current assets	13,148,890	11,726,151
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,288,703	18,127,336
Accumulated depreciation	*3 (14,141,548)	*3 (14,528,548)
Buildings and structures, net	*2 3,147,154	*2 3,598,788
Machinery, equipment and vehicles	728,667	777,291
Accumulated depreciation	*3 (625,619)	*3 (660,268)
Machinery, equipment and vehicles, net	103,048	117,023
Land	*2,*4 2,832,185	*2,*4 2,832,185
Leased assets	2,140,517	2,235,187
Accumulated depreciation	*3 (1,091,215)	*3 (1,365,043)
Leased assets, net	1,049,301	870,143
Construction in progress	48,970	23,606
Other	3,909,895	4,435,414
Accumulated depreciation	*3 (2,916,114)	*3 (3,293,626)
Other, net	993,780	1,141,787
Total property, plant and equipment	8,174,440	8,583,534
Intangible assets		
Goodwill	2,449,528	2,277,467
Other	955,493	862,042
Total intangible assets	3,405,022	3,139,509
Investments and other assets		
Investment securities	*1,*2 698,768	*1,*2 609,408
Long-term loans receivable	1,000,642	956,431
Guarantee deposits	3,191,254	3,189,265
Deferred tax assets	648,333	594,539
Other	402,905	374,657
Allowance for doubtful accounts	(8,193)	(9,121)
Total investments and other assets	5,933,710	5,715,181
Total non-current assets	17,513,174	17,438,225
Deferred assets	106,542	109,686
Total assets	30,768,606	29,274,063

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,354,133	1,360,759
Current portion of bonds	615,000	685,000
Current portion of long-term loans payable	*2 1,675,520	*2 1,031,224
Lease obligations	145,505	84,778
Accounts payable - other	2,010,721	2,005,408
Income taxes payable	497,408	285,691
Provision for bonuses	300,917	366,631
Other	1,049,258	1,181,930
Total current liabilities	7,648,465	7,001,422
Non-current liabilities		
Bonds payable	3,980,000	3,995,000
Long-term loans payable	*2 2,521,481	*2 1,778,606
Lease obligations	1,204,812	1,176,782
Deferred tax liabilities for land revaluation	*4 82,947	*4 82,947
Deferred tax liabilities	145,868	-
Provision for retirement benefits for directors (and other officers)	27,753	27,753
Asset retirement obligations	672,272	703,696
Other	270,373	230,326
Total non-current liabilities	8,905,508	7,995,112
Total liabilities	16,553,973	14,996,535
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,532,856	8,532,856
Capital surplus	4,981,675	4,981,675
Retained earnings	1,246,810	1,363,313
Treasury shares	(245)	(295)
Total shareholders' equity	14,761,096	14,877,549
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	261,692	190,195
Deferred gains or losses on hedges	-	23,928
Revaluation reserve for land	*4 (962,306)	*4 (962,306)
Foreign currency translation adjustment	19,260	12,010
Total accumulated other comprehensive income	(681,352)	(736,172)
Non-controlling interests	134,889	136,150
Total net assets	14,214,633	14,277,528
Total liabilities and net assets	30,768,606	29,274,063

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	44,155,516	44,512,381
Cost of sales	15,367,304	15,134,020
Gross profit	28,788,212	29,378,361
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	190,020	215,820
Salaries and allowances	13,103,055	13,215,515
Employees' bonuses	285,000	278,512
Provision for bonuses	289,604	357,091
Welfare expenses	1,182,258	1,271,905
Retirement benefit expenses	219,216	137,634
Utilities expenses	1,818,200	1,844,019
Supplies expenses	1,151,398	1,153,005
Rent expenses	4,493,368	4,511,365
Repair expenses	502,908	483,153
Depreciation	1,549,114	1,551,367
Miscellaneous expenses	3,090,669	3,167,708
Amortization of goodwill	172,061	172,061
Total selling, general and administrative expenses	28,046,876	28,359,161
Operating profit	741,335	1,019,200
Non-operating income		
Interest income	16,149	12,655
Dividend income	18,363	15,078
House rent income	73,121	72,219
Foreign exchange gains	-	34,344
Miscellaneous income	71,107	50,772
Total non-operating income	178,742	185,069
Non-operating expenses		
Interest expenses	126,846	108,060
Rent expenses on real estates	59,849	58,601
Foreign exchange losses	87,781	-
Miscellaneous loss	52,836	61,310
Total non-operating expenses	327,313	227,972
Ordinary profit	592,764	976,297
Extraordinary income		
Gain on sales of investment securities	35,077	-
Gain on sales of shares of subsidiaries	284,325	-
Gain on cancellation of leasehold contracts	-	11,809
Insurance income	-	*3 86,963
Total extraordinary income	319,403	98,772
Extraordinary losses		
Loss on retirement of non-current assets	*1 35,196	*1 37,240
Loss on valuation of investment securities	12,075	-
Loss on cancellation of rental contracts	-	3,780
Impairment loss	*2 306,445	*2 330,563
Loss on disaster	-	*4 50,157
Total extraordinary losses	353,717	421,741
Profit before income taxes	558,449	653,329
Income taxes - current	592,814	454,282
Income taxes - deferred	(167,179)	(84,761)
Total income taxes	425,634	369,520
Profit	132,814	283,808
Profit attributable to non-controlling interests	24,288	1,261
Profit attributable to owners of parent	108,525	282,547

## (Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit	132,814	283,808
Other comprehensive income		
Valuation difference on available-for-sale securities	25,070	(71,496)
Deferred gains or losses on hedges	-	23,928
Foreign currency translation adjustment	19,260	(7,250)
Total other comprehensive income	* 44,331	* (54,819)
Comprehensive income	177,146	228,989
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	152,857	227,727
Comprehensive income attributable to non-controlling interests	24,288	1,261

## (3) Consolidated Statement of Changes in Equity

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 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	Deferred gains or losses on hedges	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 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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(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	1,246,810	(245)	14,761,096
Changes of items during period					
Dividends of surplus			(166,043)		(166,043)
Profit attributable to owners of parent			282,547		282,547
Purchase of treasury shares				(50)	(50)
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	-	-	116,503	(50)	116,452
Balance at end of current period	8,532,856	4,981,675	1,363,313	(295)	14,877,549

(Thousands of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	261,692	-	(962,306)	19,260	(681,352)	134,889	14,214,633
Changes of items during period							
Dividends of surplus							(166,043)
Profit attributable to owners of parent							282,547
Purchase of treasury shares							(50)
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	(71,496)	23,928	-	(7,250)	(54,819)	1,261	(53,557)
Total changes of items during period	(71,496)	23,928	-	(7,250)	(54,819)	1,261	62,894
Balance at end of current period	190,195	23,928	(962,306)	12,010	(736,172)	136,150	14,277,528

## (4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	558,449	653,329
Depreciation	1,563,697	1,564,858
Amortization of goodwill	172,061	172,061
Impairment loss	306,445	330,563
Increase (decrease) in provision for bonuses	19,074	65,713
Increase (decrease) in allowance for doubtful accounts	(3,754)	928
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(1,825)	-
Interest and dividend income	(34,513)	(27,733)
Interest expenses	126,846	108,060
Loss (gain) on valuation of investment securities	12,075	-
Loss (gain) on sales of investment securities	(35,077)	-
Loss on retirement of non-current assets	35,196	37,240
Loss (gain) on sales of shares of subsidiaries	(284,325)	-
Decrease (increase) in notes and accounts receivable - trade	(25,757)	(115,168)
Decrease (increase) in inventories	48,290	117,287
Increase (decrease) in notes and accounts payable - trade	(37,744)	7,419
Increase (decrease) in accounts payable - other	(34,338)	267
Increase (decrease) in accrued consumption taxes	289,831	(18,199)
Decrease (increase) in consumption taxes refund receivable	(226,601)	(39,883)
Other, net	724	(38,215)
Subtotal	2,448,755	2,818,530
Interest and dividend income received	21,545	15,362
Interest expenses paid	(126,627)	(108,630)
Proceeds from insurance income	-	86,963
Income taxes refund	20,770	-
Income taxes paid	(393,721)	(727,411)
Net cash provided by (used in) operating activities	1,970,722	2,084,814
<b>Cash flows from investing activities</b>		
Payments into time deposits	(950,834)	-
Proceeds from withdrawal of time deposits	856,756	106,240
Purchase of property, plant and equipment	(1,719,293)	(1,755,836)
Proceeds from sales of investment securities	162,363	-
Purchase of intangible assets	(105,641)	(112,815)
Proceeds from sales of intangible assets	303,415	-
Proceeds from sales of shares of subsidiaries	2,520,000	-
Payments for guarantee deposits	(63,363)	(114,725)
Proceeds from collection of guarantee deposits	129,366	90,099
Payments of construction assistance fund receivables	(70,107)	(70,000)
Collection of construction assistance fund receivables	89,394	93,910
Other, net	(113,016)	(79,101)
Net cash provided by (used in) investing activities	1,039,040	(1,842,229)

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from financing activities		
Proceeds from long-term loans payable	700,000	300,000
Repayments of long-term loans payable	(2,118,463)	(1,687,649)
Repayments of finance lease obligations	(153,922)	(149,495)
Proceeds from issuance of bonds	1,268,543	683,033
Redemption of bonds	(515,000)	(615,000)
Purchase of treasury shares	(30)	(50)
Cash dividends paid	(166,044)	(166,043)
Net cash provided by (used in) financing activities	(984,917)	(1,635,206)
Effect of exchange rate change on cash and cash equivalents	47,329	81
Net increase (decrease) in cash and cash equivalents	2,072,174	(1,392,540)
Cash and cash equivalents at beginning of period	8,532,038	10,732,262
Increase in cash and cash equivalents from newly consolidated subsidiary	128,048	-
Cash and cash equivalents at end of period	*1 10,732,262	*1 9,339,721



**(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)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Investment securities (stocks)	50,000	50,000

\*2. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Buildings and structures	76,988	65,439
Land	2,804,319	2,804,319
Investment securities	327,590	258,500
Total	3,208,898	3,128,258
Liabilities with collateral		

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Long-term loans payable (including current portion of long-term loans payable)	2,597,380	1,937,850

\*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 (Act No. 24, 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)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
The difference between the market value of land and book value after revaluation	(1,212,457)	(1,186,561)

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Buildings and structures	23,143	28,747
Machinery, equipment and vehicles	643	1,430
Property, plant and equipment, others	11,342	6,999
Investment and other assets	67	64
Total	35,196	37,240

**\*2. Impairment loss**

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 losses have been recognized

Primary use	Class	Location
Stores, etc.	Buildings and structures Machinery, equipment and vehicles Leased assets Property, plant 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 impairment loss under extraordinary losses.

## (3) Amount of impairment losses

(Thousands of yen)

Primary use	Class	Amount
Stores, etc.	Buildings and structures	92,408
	Machinery, equipment and vehicles	1,048
	Leased assets	156,967
	Property, plant 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 the asset group is measured by using utility value which is calculated by discounting future cash flows by 4.9%.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

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

## (1) Overview of groups of assets for which impairment losses have been recognized

Primary use	Class	Location
Stores, etc.		Nerima, Tokyo
		Ichikawa, Chiba
		Noda, Chiba
		Saitama, Saitama
		Koshigaya, Saitama
		Kawagoe, Saitama
		Kawaguchi, Saitama
		Soka, Saitama
		Nagoya, Aichi
		Komaki, Aichi
		Otsu, Shiga
		Kusatsu, Shiga
		Uji, Kyoto
	Kyoto, Kyoto	
	Osakasayama, Osaka	
	Osaka, Osaka	
	Daito, Osaka	
	Higashiosaka, Osaka	
	Yao, Osaka	
	Hirakata, Osaka	
	Amagasaki, Hyogo	
	Kobe, Hyogo	
	Nishinomiya, Hyogo	
	Okayama, Okayama	
	Overseas:	
	Taoyuan, Taiwan	

## (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 impairment loss under extraordinary losses.

## (3) Amount of impairment losses

Primary use	Class	(Thousands of yen)
		Amount
Stores, etc.	Buildings and structures	115,925
	Machinery, equipment and vehicles	1,082
	Leased assets	161,799
	Property, plant and equipment, others	47,904
	Intangible assets, others	570
	Investments and other assets, others	3,281
	Total	330,563

## (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 5.0%.

**\*3. Insurance income**

Insurance income is mainly for damage caused by the Typhoon No. 21 in 2018.

**\*4. Loss on disaster**

Loss on disaster mainly includes the amount losses on damage caused by the Typhoon No. 21 in 2018.

**Notes to Consolidated Statement of Comprehensive Income**

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	71,446	(89,359)
Reclassification adjustments	(35,321)	-
Before tax effect adjustments	36,124	(89,359)
Tax effect	(11,054)	17,863
Valuation difference on available-for-sale securities	25,070	(71,496)
Deferred gains or losses on hedges:		
Amount incurred during the year	-	34,478
Reclassification adjustments	-	-
Before tax effect adjustments	-	34,478
Tax effect	-	(10,550)
Deferred gains or losses on hedges	-	23,928
Foreign currency translation adjustment:		
Amount incurred during the year	19,260	(7,250)
Total other comprehensive income	44,331	(54,819)

**Notes to Consolidated Statement of Changes in Equity**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

## 1. Type and 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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

## 1. Type of number of outstanding shares and treasury shares

(Shares)

	Number of shares as of Apr. 1, 2018	Increase	Decrease	Number of shares as of Mar. 31, 2019
Outstanding shares				
Common shares	33,209,080	-	-	33,209,080
Treasury shares				
Common shares (Note)	294	49	-	343

Note: The number of treasury shares of common shares increased 49 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, 2018	Common shares	166,043	Retained earnings	5.00	Mar. 31, 2018	Jun. 29, 2018

## (2) Dividends with a record date in FY3/19 but an effective date in FY3/20

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 10, 2019	Common shares	199,252	Retained earnings	6.00	Mar. 31, 2019	Jun. 28, 2019

**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)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash and deposits	10,838,502	9,339,721
Time deposits with maturities over 3 months	(106,240)	-
Cash and cash equivalents	10,732,262	9,339,721

## \*2. Material non-cash transactions

Assets and obligations applicable to finance lease transactions

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Assets and obligations applicable to finance lease transactions	99,119	129,894

**Change in Presentation**

Changes resulting from the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

SRS HOLDINGS has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

As a result, deferred tax assets of 209,306 thousand yen under current assets are included in deferred tax assets of 648,333 thousand yen under investments and other assets in the consolidated balance sheet as of March 31, 2018.

**Segment and Other Information****Segment information**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) and FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

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

**Related information**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) and FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

## 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 net 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 customer accounts for more than 10% of net sales on the consolidated statement of income.

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) and FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

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**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) and FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

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**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) and FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

**Per-share Information**

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	423.98	425.83
Net income per share	3.27	8.51

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

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

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Total net assets (Thousands of yen)	14,214,633	14,277,528
Deduction on total net assets (Thousands of yen)	134,889	136,150
[of which non-controlling interests (Thousands of yen)]	[134,889]	[136,150]
Net assets applicable to common shares (Thousands of yen)	14,079,743	14,141,377
Number of common shares at end of period used in calculation of net assets per share (Shares)	33,208,786	33,208,737

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

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit attributable to owners of parent (Thousands of yen)	108,525	282,547
Amounts not available to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	108,525	282,547
Average number of shares outstanding during the period (Shares)	33,208,814	33,208,768

*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.*