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# Financial Results Explanatory Materials for the Fiscal Year Ended March 2019

May 16, 2019  
SRS HOLDINGS CO., LTD.  
(Securities Code: 8163)



SRS HOLDINGS marked the 50th anniversary of its foundation on August 27, 2018.

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# FY3/19 Overview of Financial Results

# Consolidated Financial Highlights

## ◆ Higher sales and earnings for the second consecutive fiscal year

◆ Net sales:                      ¥44,512 million      Up ¥356 million YoY

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- Although natural disasters had a negative impact on sales, sales were higher because newly opened locations increased the number of restaurants and sales at existing *Nigiri Chojiro* restaurants were higher.

◆ Operating profit:      ¥1,019 million      Up ¥277 million YoY

◆ Ordinary profit:              ¥976 million      Up ¥383 million YoY

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- Operating profit and ordinary profit increased due to higher sales and proper management of SG&A expenses while there was a negative effect on profits caused by higher personnel expenses.

◆ Profit attributable to owners of parent :      ¥282 million      Up ¥174 million YoY

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- Profit attributable to owners of parent increased mainly due to higher ordinary profit, insurance income for damage caused by natural disasters, and lower tax expense owing to the application of Tax Credits for Salary Growth.

(Millions of yen)

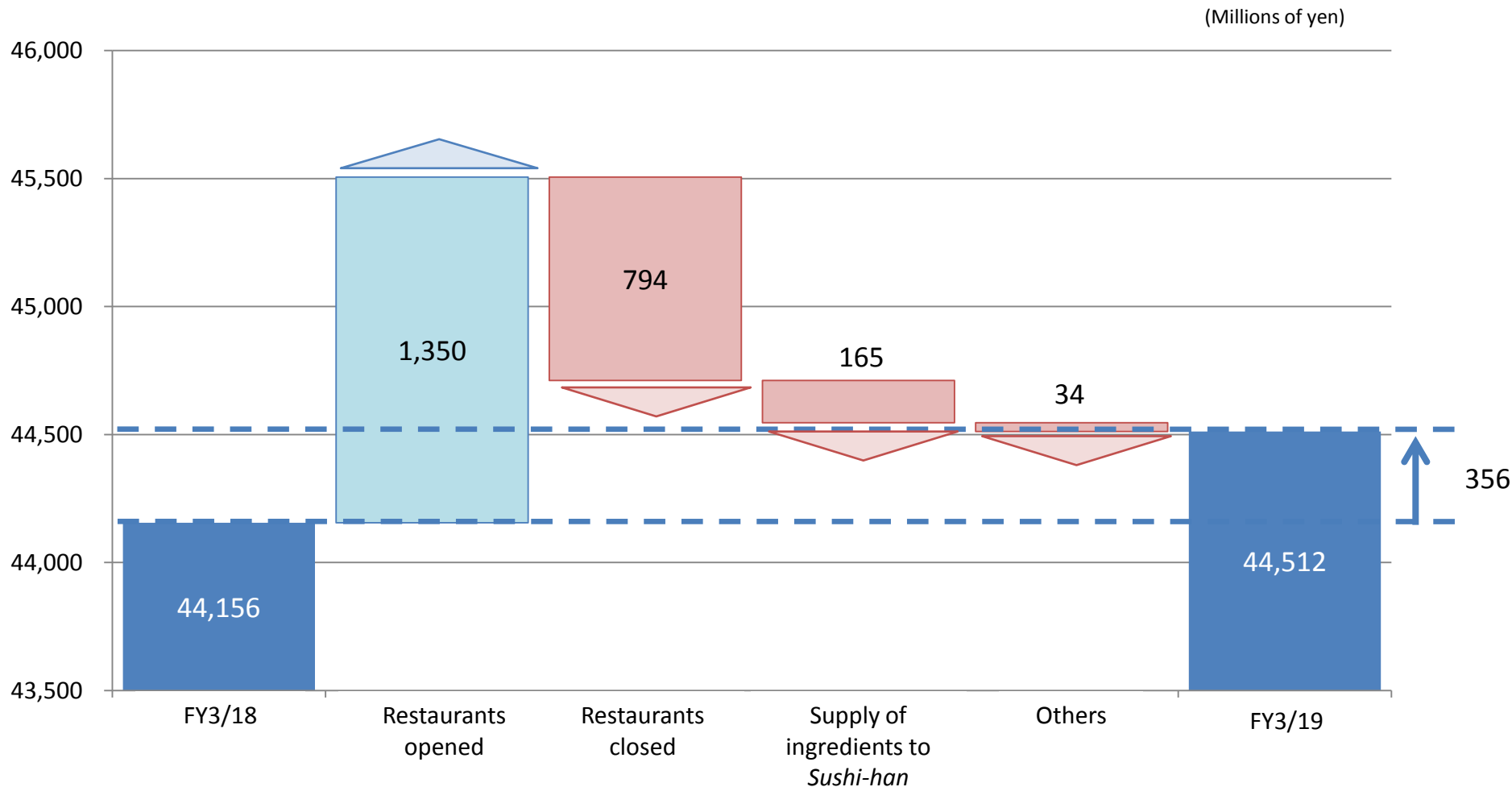
	FY3/18 Results	FY3/19 Forecast	FY3/19 Results	Vs. FY3/18 Results	Vs. FY3/19 Forecast
Net sales	44,155	46,000	44,512	+356	(1,487)
Operating profit	741	1,000	1,019	+277	+19
Ordinary profit	592	1,000	976	+383	(23)
Profit attributable to owners of parent	108	200	282	+174	+82

## » Difference between FY3/19 Consolidated Performance Forecast and Results

- Sales were 3.2% below the forecast due to delays in restaurant openings.
- Operating profit and ordinary profit were mostly the same as the forecast (operating profit 1.9% higher; ordinary profit 2.4% lower) as SG&A expense controls and other measures offset the negative effect of the sales shortfall.
- Profit attributable to owners of parent were 41.3% higher than the plan due to insurance income for typhoon damage and lower tax expense owing to the application of Tax Credits for Salary Growth.

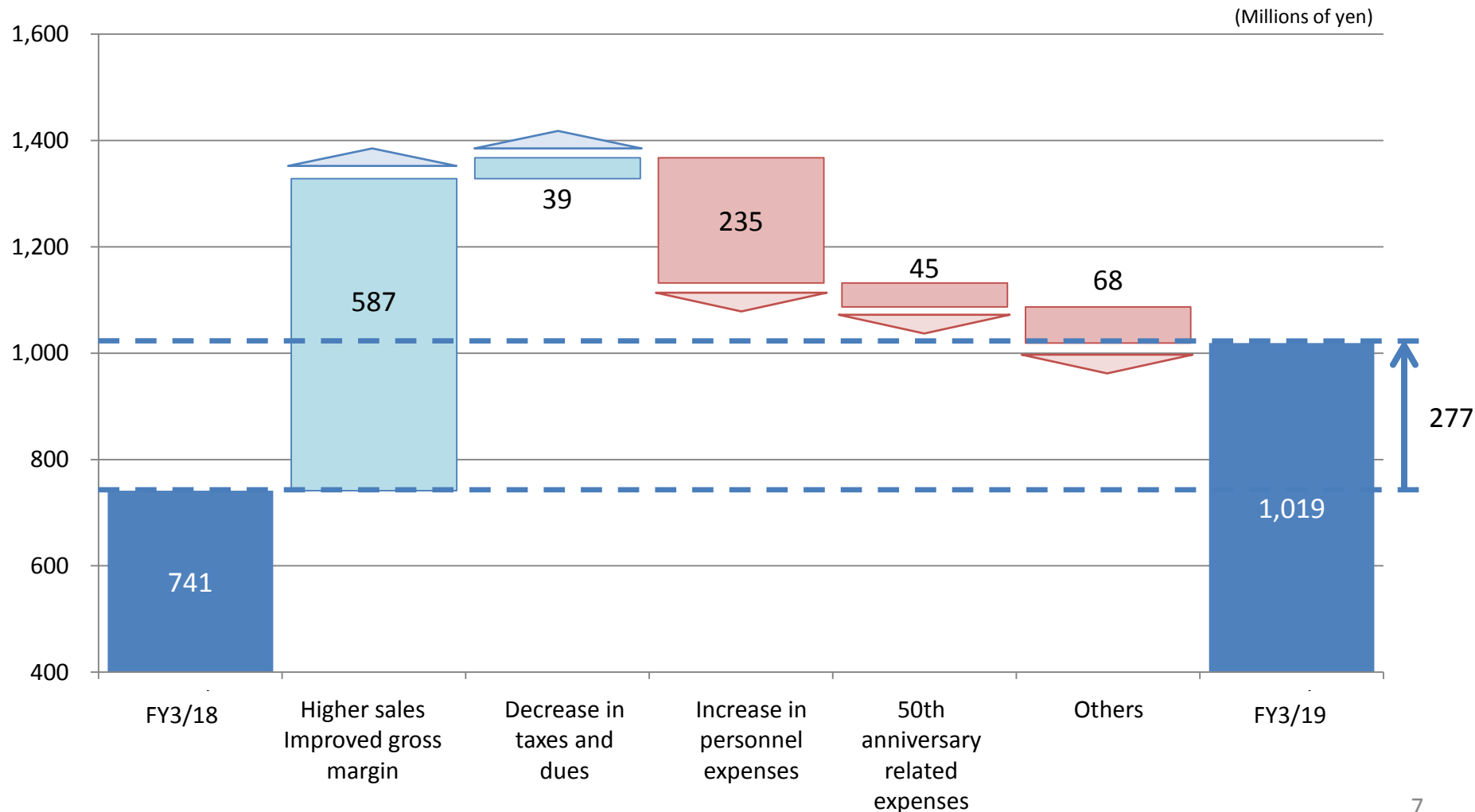
# YoY Changes in Net Sales

- Sales increased ¥356 million, or 0.8%, year on year because the opening of new restaurants offset the negative impact of restaurants closed.
- 26 restaurants opened and 16 restaurants closed.



# YoY Changes in Operating Profit

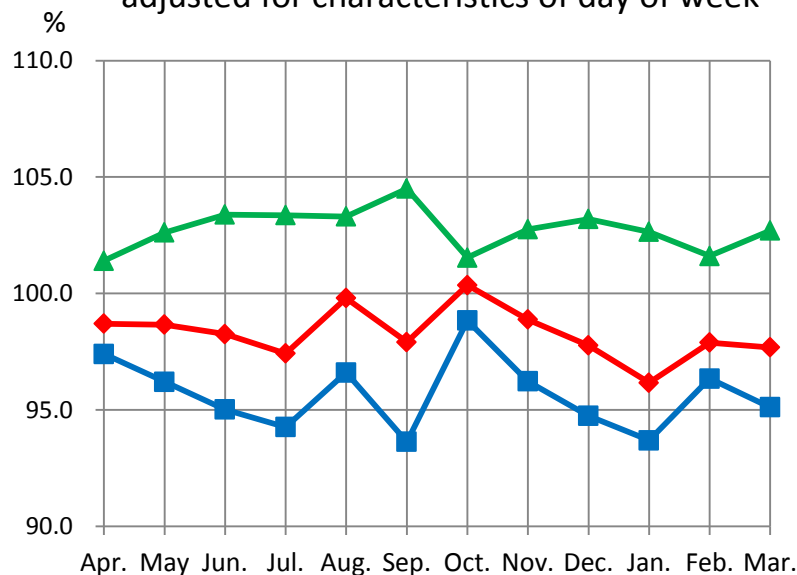
- Operating profit increased ¥277 million, or 37.5%, year on year because higher sales and reduced SG&A expenses absorbed the negative effect on profits caused by higher personnel expenses.



# Existing Restaurant Sales in Core Business Formats

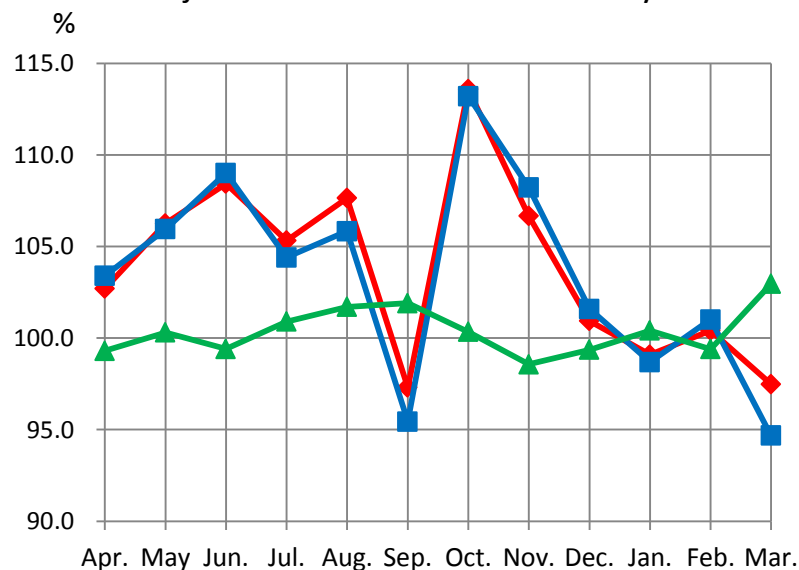
- At *Washoku Sato* restaurants, sales per customer were higher than one year earlier due to higher sales of seasonal menu items and an increase in the price of the *Sato-Shabu* (all-you-can-eat shabu-shabu) and *Sato-suki* (all-you-can-eat sukiyaki) premium courses.
- At *Nigiri Chojiro* restaurants, the number of customers was higher than one year earlier due to TV commercials, SNS campaigns and other activities. Customer traffic significantly increased in June due to limited-quantity menu items and a Father's Day fair, as well as in October due to the negative impact of natural disasters in September.

◎ *Washoku Sato*: YoY change at existing restaurants  
adjusted for characteristics of day of week



◆ Sales ■ Number of customers ▲ Average sales per customer

◎ *Nigiri Chojiro*: YoY change at existing restaurants  
adjusted for characteristics of day of week



◆ Sales ■ Number of customers ▲ Average sales per customer



# FY3/19 SRS Group Restaurants

	No. of restaurants at the end of FY3/18 (Mar. 31, 2018)		No. of restaurants opened/closed during FY3/19		No. of restaurants at the end of FY3/19 (Mar. 31, 2019)	No. of restaurants planned to open during FY3/19 (B)	Restaurant opening progress ratio vs. plan (A) / (B)
			Opened (A)	Closed			
<b>Washoku Sato</b>	<b>200</b>		<b>6</b>	<b>2</b>	<b>204</b>	<b>6</b>	<b>100%</b>
<b>Tendon Tempura Honpo Santen</b>	<b>46</b>	<b>(2)</b>	<b>2</b>	<b>5</b>	<b>43</b>	<b>(1)</b>	<b>17%</b>
<b>Nabeichi</b>	<b>0</b>		<b>1</b>		<b>1</b>	<b>1</b>	<b>100%</b>
<b>Nigiri Chojiro/Chojiro</b>	<b>57</b>		<b>5</b>	<b>2</b>	<b>60</b>	<b>6</b>	<b>83%</b>
<b>Miyamoto Munashi</b>	<b>66</b>	<b>(6)</b>	<b>2</b>	<b>5</b>	<b>63</b>	<b>(5)</b>	<b>40%</b>
<b>Katsuya/Karayama</b>	<b>36</b>	<b>(16)</b>	<b>4</b>	<b>-</b>	<b>40</b>	<b>(16)</b>	<b>57%</b>
<b>Meotozenzai</b>	<b>1</b>		<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Home Delivery Sushi (Nigiri Chujiro/Miyakobito)</b>	<b>20</b>	<b>(13)</b>	<b>1</b>	<b>1</b>	<b>20</b>	<b>(13)</b>	<b>33%</b>
<b>Overseas restaurants</b>	<b>6</b>	<b>(4)</b>	<b>6</b>	<b>2</b>	<b>10</b>	<b>(6)</b>	<b>200%</b>
<b>Group total</b>	<b>432</b>	<b>(41)</b>	<b>27</b>	<b>17</b>	<b>442</b>	<b>(41)</b>	<b>70%</b>

\* Numbers in parentheses represent franchised restaurants (domestic) and joint venture restaurants (overseas).

\* One newly opened *Santen* restaurant is not included in the calculation of restaurant opening progress ratio because it was converted from franchised to directly managed.

# Restaurant Measures

#	Main Categories	Initiatives and Results
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◆ Regularly upgraded the core all-you-can-eat menu

◆ Continued to open restaurants

→ Opened six restaurants (Toyota-higashi IC, Aichi Pref. on June 5, Kuise, Hyogo Pref. on June 15, Nisshin, Aichi Pref. on August 23, Sanda Woody Town, Hyogo Pref. on November 20, Komaki-gonaka, Aichi Pref. on February 9 and Motosu-Kitagata, Gifu Pref. on March 16)



Washoku Sato

1



Nabeichi

◆ Developed new restaurant formats

→ Opened the first *Nabeichi* restaurant specializing in all-you-can-eat shabu-shabu and sukiyaki in Sakai, Osaka Pref. on December 1

◆ Initiatives for increasing the number of customers

→ Started delivery service trials using Uber Eats

→ Started trial use of electronic payment terminals for LINEPay, Alipay and WeChatPay

→ All restaurants started using an internet reservation system

◆ Measures to create more pleasant working environment





→ Started the parent-child discount for employees  
(used an avg. of about 1,500 times every month)

◆ No smoking at all restaurants




→ All restaurants became completely smoke-free on April 1, 2018 to create a more comfortable dining area environment for customers and pleasant working environment for employees



# FY3/19 Restaurant Measures

#	Main Categories	Initiatives and Results
2	 <p>Tendon Tempura Honpo Santen</p>	<ul style="list-style-type: none"> <li>◆ Raised profitability by improving menus, promotions, sales systems and other aspects of operations                             <ul style="list-style-type: none"> <li>→ To raise sales per customer, added more noodle meal sets, which increased the ratio of set menus as total sales</li> <li>→ Made it possible to choose donburi items with a smaller portion of rice due to the significant customer demand</li> <li>→ Strengthened promotional activities using LINE@ (LINE account for business use), Internet commercials and other media</li> </ul> </li> <li>◆ Initiatives for increasing the number of customers                             <ul style="list-style-type: none"> <li>→ Started delivery service trials using Uber Eats</li> </ul> </li> <li>◆ Continued to open restaurants                             <ul style="list-style-type: none"> <li>→ Opened a restaurant in Yonohonmachi, Saitama Pref. on May 4</li> </ul> </li> <li>◆ Development of AI and mechanical systems for improving productivity                             <ul style="list-style-type: none"> <li>→ Started trial use of an automated ordering system</li> <li>→ Development activities to start using an automated AI robot washing system</li> </ul> </li> </ul>
3	 <p>Nigiri Chojiro</p>  <p>Chojiro</p>  <p>Nigiri Chujiro</p>	<ul style="list-style-type: none"> <li>◆ Continued to open new restaurants in the Kansai area (retain position as the leading brand in Kansai for gourmet conveyor belt sushi)                             <ul style="list-style-type: none"> <li>→ Opened five restaurants (Kitatsumi, Osaka Pref. on April 13, Hilton Plaza West, Osaka Pref. on October 25, Nisshin-takenoyama, Aichi Pref. on November 21, Matsuiyamate, Kyoto Pref. on December 14 and Kyoto Avanti, Kyoto Pref. on February 22)</li> </ul> </li> <li>◆ Opened restaurants in new commercial areas                             <ul style="list-style-type: none"> <li>→ Opened a restaurant in November in Nisshin-takenoyama, Aichi Pref., the first location in the Chubu area</li> </ul> </li> <li>◆ Started studying a new format to improve the profitability of Nigiri Chujiro                             <ul style="list-style-type: none"> <li>→ Opened a restaurant in Minoo-nishisyoji, Osaka Pref. using a new format that includes an eat-in space on February 21</li> </ul> </li> <li>◆ A Chojiro restaurant in Shijokiyamachi has received a Trip Advisor Certificate of Excellence for five consecutive years, which qualifies it for the Trip Advisor Hall of Fame</li> </ul>

# FY3/19 Restaurant Measures

#	Main Categories	Initiatives and Results
4	 <b>宮本むなし</b> <i>Miyamoto Munashi</i>	<ul style="list-style-type: none"> <li>◆ Continued to redecorate restaurants to create a new look (bright, clean interiors to serve a larger range of customer segments) → Redecorated 15 restaurants during FY3/19</li> <li>◆ Continued to add a limited-time-only menu with substantial added value (raises sales per customer and the gross margin) → Continued to launch in a short cycle for limited-time-only menu items like tsuke-udon (udon with a dipping sauce), hamburger, yakiniku, beef tongue and other dishes → Conducted trial sales of a choi-nomi (quick and easy drink) menu and oden items in order to increase sales per customer and attract new customer segments</li> <li>◆ Initiatives for increasing the number of customers → Started delivery service trials using Uber Eats and Demae-can</li> <li>◆ Continued to open new restaurants → Opened two restaurants (Hankyu Hattoritenjin, Osaka Pref. on November 1 and JR Nagoya Ekimae, Aichi Pref. on March 1)</li> </ul>
5	 <b>かつや</b> <i>Katsuya</i>	<ul style="list-style-type: none"> <li>◆ Continued to open new restaurants in the Kansai area → Opened three restaurants (Nara-kashiba, Nara Pref. on May 11, Daito, Osaka Pref. on January 18 and Wakayama-kainan, Wakayama Pref. on March 15)</li> </ul>
	 <b>からやま</b> <i>Karayama</i>	<ul style="list-style-type: none"> <li>◆ Started trials for delivery services → Started delivery service trials using Uber Eats and Demae-can</li> <li>◆ Opened a new restaurant format → Opened our Group's first <i>Karayama</i> restaurant specializing in deep-fried chicken in Osaka on November 16</li> </ul>

#	Main Categories	Initiatives and Results
6	<b>Optimized operations</b>	<ul style="list-style-type: none"> <li>◆ Integrated accounting system for the entire SRS Group                             <ul style="list-style-type: none"> <li>→ In April, the FOODSNET CORPORATION (<i>Nigiri Chojiro</i> and other brands) accounting system was integrated with the SRS Group system to improve efficiency of accounting operations</li> </ul> </li> <li>◆ Activities for relocating logistics centers in order to optimize logistics for the entire group and to reduce expenses for deliveries and the oversight of logistics operations</li> </ul>
7	<b>Innovative operation development</b>	<ul style="list-style-type: none"> <li>◆ For restaurant operations with higher productivity and fewer workers, use of AI and machines to end labor-intensive operations and improve efficiency                             <ul style="list-style-type: none"> <li>→ Started trial use of an automated ordering system</li> <li>→ Development activities to start trial use of an automated AI robot washing system → Started studies for developing an app that efficiently performs every step from reception, receiving customers' orders to processing payments.</li> </ul> </li> </ul>
8	<b>Overseas business</b>	<ul style="list-style-type: none"> <li>◆ Taiwan                             <ul style="list-style-type: none"> <li>→ Opened two restaurants (The third <i>Washoku Sato</i> restaurant in Tucheng, on June 27 and the fourth in Taichung Fuxing on January 2)</li> </ul> </li> <li>◆ Thailand                             <ul style="list-style-type: none"> <li>→ Opened three <i>Sato-don</i> restaurants specializing in rice bowl dishes, a new restaurant concept specifically for food courts (the first restaurant in MEGA Bangna on April 29, the second in Central Rama 9 on September 12, and the third in Amarin Plaza on March 27)</li> </ul> </li> <li>◆ Indonesia                             <ul style="list-style-type: none"> <li>→ Opened <i>Washoku Sato</i> restaurant at a suburban roadside location in Batu Turis on November 2 to relocate the first location</li> </ul> </li> </ul>



# FY3/20 Business Plan

# FY3/20 Earnings Forecasts

(Millions of yen)

	FY3/19 Results	Medium-term Business Plan FY3/20 Plan	FY3/20 Forecast	Vs. FY3/19 Results	Vs. FY3/20 Plan
<b>Net sales</b>	44,512	51,000	46,000	+1,487	(5,000)
<b>Operating profit</b>	1,019	-	950	(69)	-
<b>Ordinary profit</b>	976	1,100	1,000	+23	(100)
<b>Profit attributable to owners of parent</b>	282	-	290	+7	-

## ▪ FY3/20 Forecasts

Sales is expected to increase year on year due to higher sales at new and existing restaurants. The forecasts for earnings at all levels are mostly the same as one year earlier based on a conservative estimate due to higher SG&A expenses resulting from a rise in personnel expenses and uncertainties posed by the planned consumption tax hike.

We plan to add 31 restaurants.



# FY3/20 Restaurant Opening Plan

	FY3/19		FY3/20		
	Opened	No. of restaurants at the end of period	No. of restaurants planned to open	No. of restaurants planned to be closed	No. of restaurants at the end of period
<b>Washoku Sato</b>	<b>6</b>	<b>204</b>	<b>3</b>	<b>1</b>	<b>206</b>
<b>Tendon Tempura Honpo Santen</b>	<b>2</b>	<b>43</b> (1)	<b>2</b>		<b>45</b> (1)
<b>Nabeichi</b>	<b>1</b>	<b>1</b>	<b>1</b>		<b>2</b>
<b>Nigiri Chojiro/Chojiro</b>	<b>5</b>	<b>60</b>	<b>5</b>		<b>65</b>
<b>Miyamoto Munashi</b>	<b>2</b>	<b>63</b> (5)	<b>2</b>		<b>65</b> (5)
<b>Katsuya</b>	<b>3</b>	<b>39</b> (16)	<b>3</b>		<b>42</b> (18)
<b>Karayama</b>	<b>1</b>	<b>1</b>	<b>2</b>		<b>3</b>
<b>Nigiri Chujiro</b>	<b>1</b>	<b>7</b>	<b>2</b>		<b>9</b>
<b>Miyakobito</b>	-	<b>13</b> (13)	-	<b>13*</b>	
<b>Meotozenzai</b>	-	<b>1</b>	-		<b>1</b>
<b>Overseas restaurants</b>	<b>6</b>	<b>10</b> (6)	<b>11</b>		<b>21</b> (12)
<b>Group total</b>	<b>27</b>	<b>442</b> (41)	<b>31</b>	<b>14</b>	<b>459</b> (36)

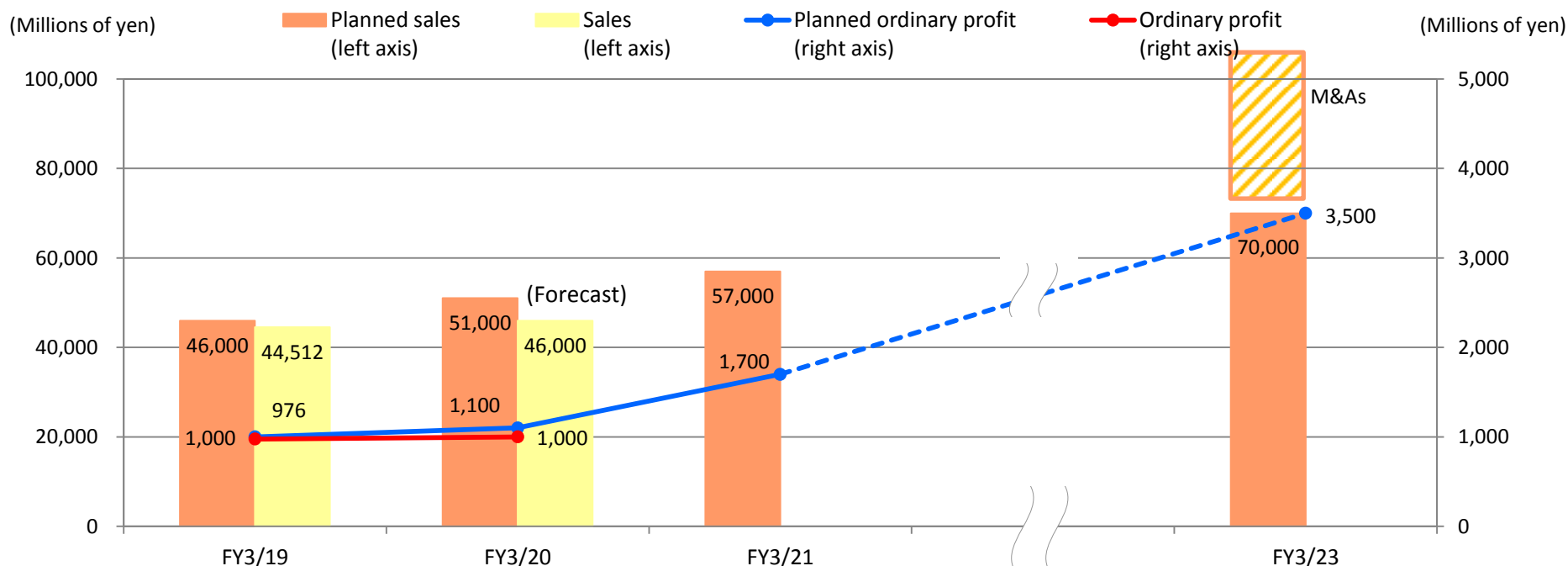
\* Numbers in parentheses represent franchised restaurants (domestic) and joint venture restaurants (overseas).

\* Due to the termination of the *Miyakobito* business, some locations will be converted to *Nigiri Chujiro* restaurants.

\* Planned *Nigiri Chujiro* openings do not include the above planned conversions of *Miyakobito* restaurants.





# Progress of Medium-term Business Plan

- Sales were below the plan in FY3/19, the first year of the medium-term business plan, due to delays in restaurant openings.
- Earnings were mostly the same as planned due to the proper control over SG&A expenses.
- Expect sales and earnings to be below the plan in FY3/20 based on a conservative estimate of performance due to fewer restaurant openings than initially planned and many uncertainties posed by such as the planned consumption tax hike and associated exemptions.
- Our goal is to achieve the medium-term business plan targets in the final year of the plan by accelerating restaurant opening and using M&As.






No. of restaurants at the end of period	Plan	466	522	590	745
	Results	442	459 (planned)	(not including M&As)	

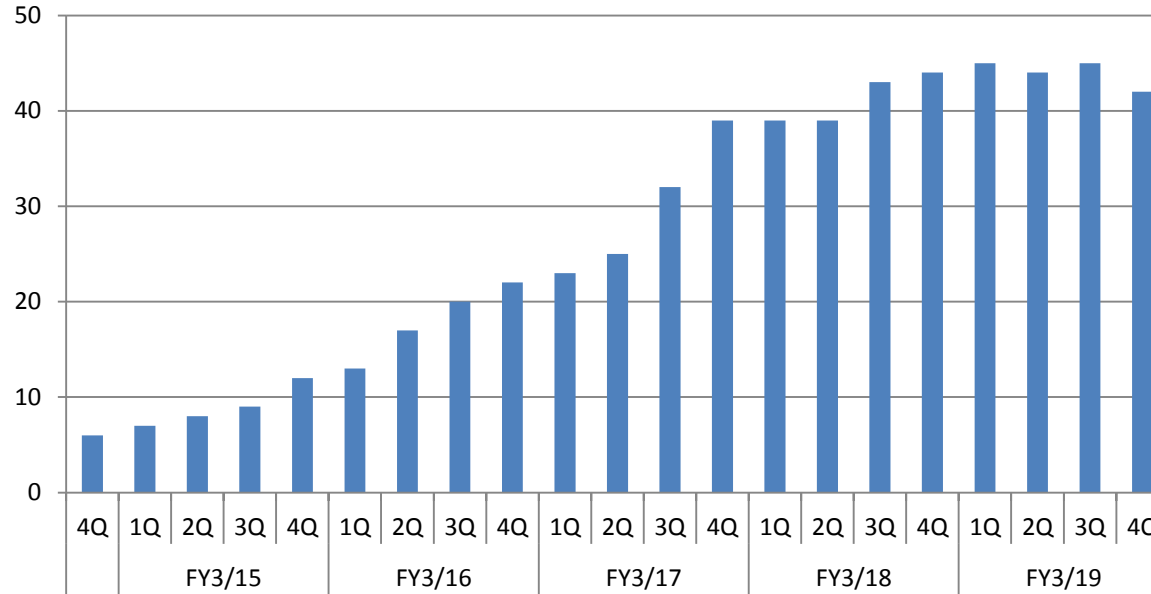
# FY3/20 Action Plan for Restaurants

#	Main Categories	Initiatives and Action Plan
1	 <p>Washoku Sato</p>	<ul style="list-style-type: none"> <li>◆ Upgrade the core all-you-can-eat menu, add meal courses that combine <i>Sato Bar/Sato Café</i> and all-you-can eat menus, and take other actions to raise the frequency of customer visits while improving productivity</li> <li>◆ Increase existing restaurant sales by starting an internet reservation system and home delivery using delivery services and increasing measures to attract foreign tourists in Japan</li> <li>◆ Continue to study the use of an automated ordering system and other new systems that can boost productivity</li> <li>◆ Improve employee satisfaction and the retention rate by revising personnel systems and starting to pay part of salaries prior to the official pay day</li> </ul>
2	 <p>Santen</p>	<ul style="list-style-type: none"> <li>◆ Attract new customers and increase repeat visits of current customers by making extensive use of internet ads, increasing the number of LINE members and using other marketing activities</li> <li>◆ Start extensive use of home delivery using delivery services</li> <li>◆ Open restaurants at new types of locations (at or near railway stations) and open restaurants with new configurations</li> </ul>
3	 <p>Nabeichi</p>	<ul style="list-style-type: none"> <li>◆ Become profitable to support full-scale growth activities</li> <li>◆ Increase customer traffic at lunch time on weekends and holidays</li> <li>◆ Make shabu-shabu and buffet items more appealing (high quality and more innovation and excitement)</li> <li>◆ Open restaurants at new types of locations (at or near railway stations)</li> </ul>
4	 <p>Chojiro</p>	<ul style="list-style-type: none"> <li>◆ Continue opening restaurants in the Kansai and Chubu areas</li> <li>◆ Establish a prominent presence in the Chubu area</li> <li>◆ Overseas operation development (Singapore)</li> </ul>

# FY3/20 Action Plan for Restaurants

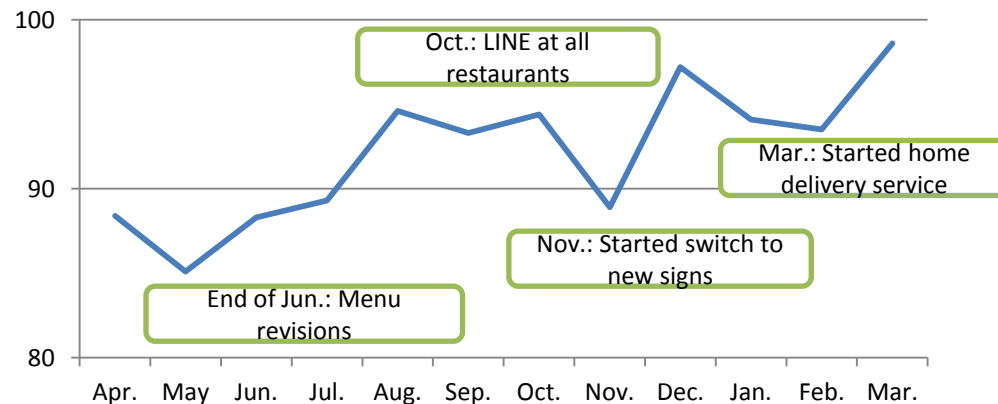
#	Main Categories	Initiatives and Action Plan
5	 <i>Nigiri Chujiro</i>	<ul style="list-style-type: none"> <li>◆ Establish a prominent presence in the Osaka/Kyoto area by continuing to open restaurants</li> <li>◆ Establish a new format which includes an eat-in space</li> </ul>
6	 <i>Miyamoto Munashi</i>	<ul style="list-style-type: none"> <li>◆ Consider opening new restaurant formats                             <ul style="list-style-type: none"> <li>• Use the cash-and-carry payment system</li> <li>• Introduce a self-checkout system</li> <li>• Boost work performance by reducing the number of menu items</li> </ul> </li> <li>◆ Upgrade existing restaurants</li> </ul>
7	 <i>Katsuya</i> <i>Karayama</i>	<ul style="list-style-type: none"> <li>◆ Continue opening new directly operated and franchised restaurants in the Kansai area</li> <li>◆ Boost the profitability of existing restaurants</li> <li>◆ Consider opening restaurants by using several business formats</li> </ul>
8	<b>Taiwan business</b>	<ul style="list-style-type: none"> <li>◆ Open five new restaurants</li> <li>◆ Make this business profitable</li> <li>◆ Boost the profitability of existing restaurants (improve the gross margin and reduce investments)</li> </ul>
9	<b>Innovative operation development</b>	<ul style="list-style-type: none"> <li>◆ Continue developing systems using AI and robots for restaurant operations with higher productivity and fewer workers (an automated ordering system, dish washing robot, development of a mobile app that efficiently performs every step from reception, receiving customers' orders to processing payments, etc.)</li> </ul>

## ▪ Number of restaurants



- Steady growth in the number of restaurants for several years since 2012 but profitability declined as the pace of restaurant openings increased in FY3/17
- Temporarily slowed the pace of restaurant openings in FY3/19 in order to concentrate on improving the profitability of existing restaurants

## ▪ YoY change in FY3/19 sales at existing restaurants



- Started a reform project in Oct. 2017 to restore the profitability of existing restaurants
- Menu revisions at the end of Jun. 2018 increased noodle sets as a pct. of sales, raising sales per customer
- Started to use the LINE services at all restaurants in Oct. 2018, switched to a new sign design in Nov. 2018 for better visibility of customers and started home delivery using delivery services in Mar. 2019 using Uber Eats; existing restaurant sales recovered to 98.6% of the prior-year level

- FY3/19 Initiatives

	Initiatives	Explanation
QSC improvement (Quality, Service, Cleanliness)	Faster serving of meals	Target is serving at least 70% of customer meal orders within 5 minutes and 80% within 10 minutes; in March 2019, the within-10-minute percentage was 74%
	Broth dispensers	All restaurants have these dispensers for consistent quality and higher work performance
	Revisions to basic ingredients	Improved the quality of tendon sauce, oil and other basic ingredients
	Employee training	Conducted on-the-job training 66 times during FY3/19 (total of 226 employees)
Marketing activities	LINE services	All restaurants participate in the LINE loyalty program; currently 63,400 members
	Internet marketing	Trial marketing activities using favy gourmet media and YouTube; sales up about 2% during these activities, plan to start full-scale internet marketing in FY3/20
	Home delivery	Home delivery trials using Uber Eats started at three restaurants
Productivity improvement	Automated order	Started trial use of the system at five restaurants; plan to use the system at all restaurants in May 2019
	Dish Washing Robot	Started joint development of this robot with Innovative Operation Development Department

## • FY3/20 Initiatives

Initiatives		Explanation
Rebuild brands Cultivate the fast-casual category	Quality	Goal is achieving the same quality as specialty restaurants → Outstanding quality at reasonable prices
	Fast	Serve meals quickly after ordering and provide freshly prepared food
	Appealing	Use selected ingredients and create an energetic restaurant atmosphere
	Take-out	Revise and promote set menu items and improve takeout containers
Strengthen the Kanto area presence -Success in this region is vital to the multiple restaurant strategy-	Menus only for the Kanto area	Kanto-style shrimp/squid/small scallop kakiage (a type of tempura) Make conger eel tempura items a core menu item Develop innovative noodle menu items Make adjustments to flavors and seasonings (tendon sauce, etc.)
New restaurants	At or near railway stations	Open restaurants at or near railway stations to target drinking and take-out demand
	Configurations	Open new prototype restaurants with new layouts to create a more energetic atmosphere

- FY3/20 Initiatives

Initiatives		Explanation
More effective marketing	Flyers	Continue using flyers to target local and older age segments effectively
	LINE services	Distribute shop cards and coupons on the LINE app to increase regular customers
	Internet advertising	Use favy, YouTube and banner ads with different content depending on the target in order to attract new categories of customers
	Home delivery	Target new sources of demand by offering Uber Eats delivery at more restaurants
Systems - Higher work performance and productivity -	Dish washing robot	Plan to start trials at restaurants in the first half of FY3/20
	Automated ordering system	All restaurants will start using this system in May 2019
	Employee/PA training	Strengthen training programs

Medium-term  
business plan goal is  
120 restaurants by  
FY3/23

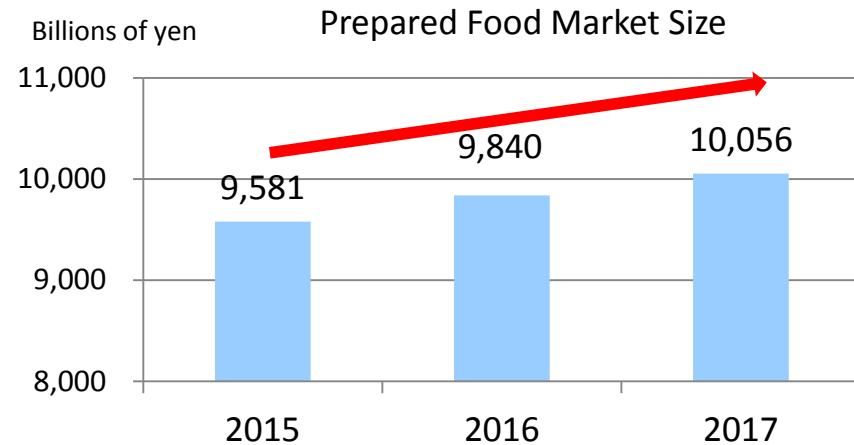
Long-term goal  
is 300  
restaurants



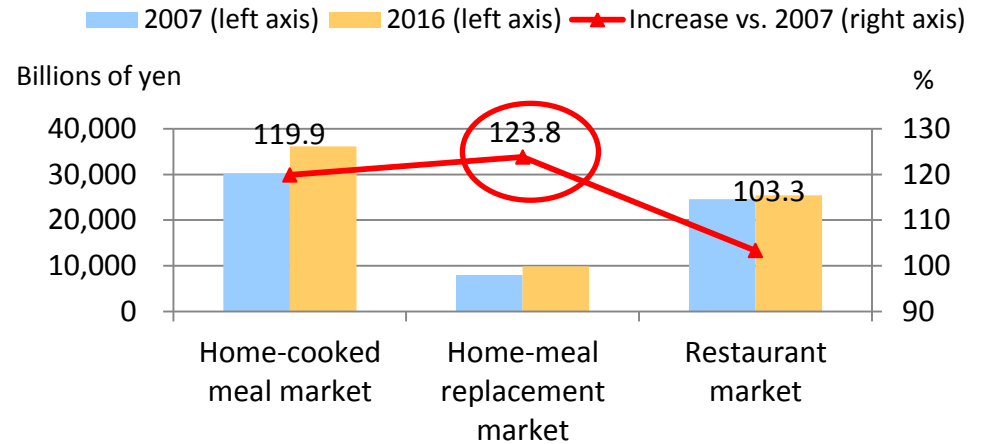
**Make *Santen* a format that underpins the SRS Pyramid**



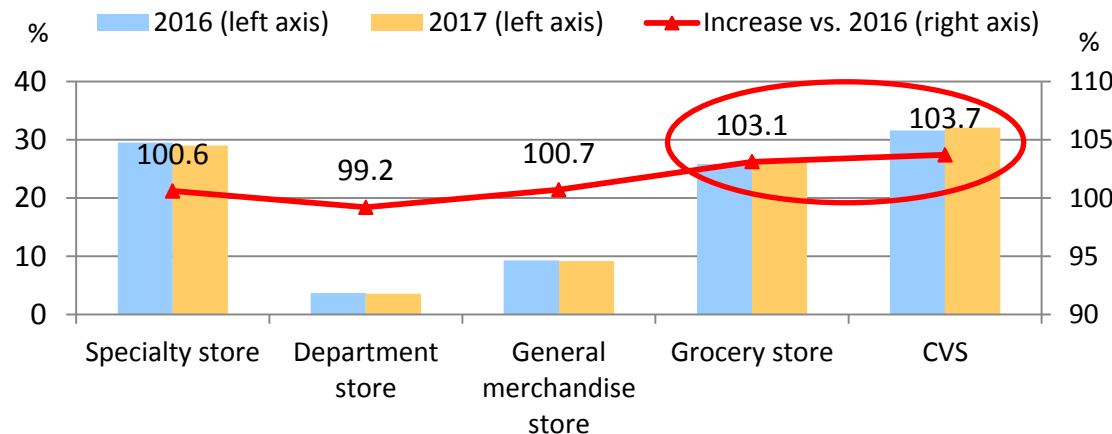
## Growth of home-meal replacement market



## The Meal Market Size in Japan



## Composition of the Prepared Food Market



Source: 2018 Sozai White Paper Digest

- The prepared food market in Japan is small but growing rapidly.
  - Convenience stores have the largest share of the home-meal replacement market and are posting the fastest growth. Grocery stores are second.
  - The home-cooked meal market is also increasing as Japan's population ages and more people eat alone.
- ↓
- Goal is developing new home-cooked meal and home-meal replacement market sectors by using restaurant know-how.

## • FY3/20 Initiatives

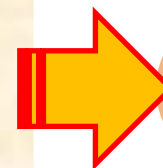
(1) Growth of current restaurant formats	<ul style="list-style-type: none"> <li>➤ In FY3/19, started using Uber Eats and Demae-can home delivery services at some restaurants of all formats</li> <li>➤ Plan to expand this service to more restaurants in FY3/20</li> <li>➤ To increase take-out sales, plan to separate most eat-in and take-out with-tax prices after the Oct. '19 consumption tax hike with some exemptions (same pre-tax prices for eat-in and take-out)</li> </ul>
(2) Growth of current home-meal replacement format	<ul style="list-style-type: none"> <li>➤ In FY3/19, <i>Nigiri Chujiro</i> started trials of a new restaurant format with eat-in space</li> <li>➤ Plan on more growth, including planned conversion from the <i>Miyakobito</i> format to the <i>Chujiro</i> format</li> </ul>
(3) Create new home-meal replacement formats	<ul style="list-style-type: none"> <li>➤ Start studies about restaurants that combine eat-in, take-out/home delivery, and merchandise sales (combining convenience store, supermarket, delicatessen and station-front restaurant functions) in order to meet a broad spectrum of needs</li> </ul>

### Vision of the Medium-term Business Plan (excerpt)

To be an essential social infrastructure and prosper over 100 years to come

### Basic Policies of the Medium-term Business Plan (excerpt)

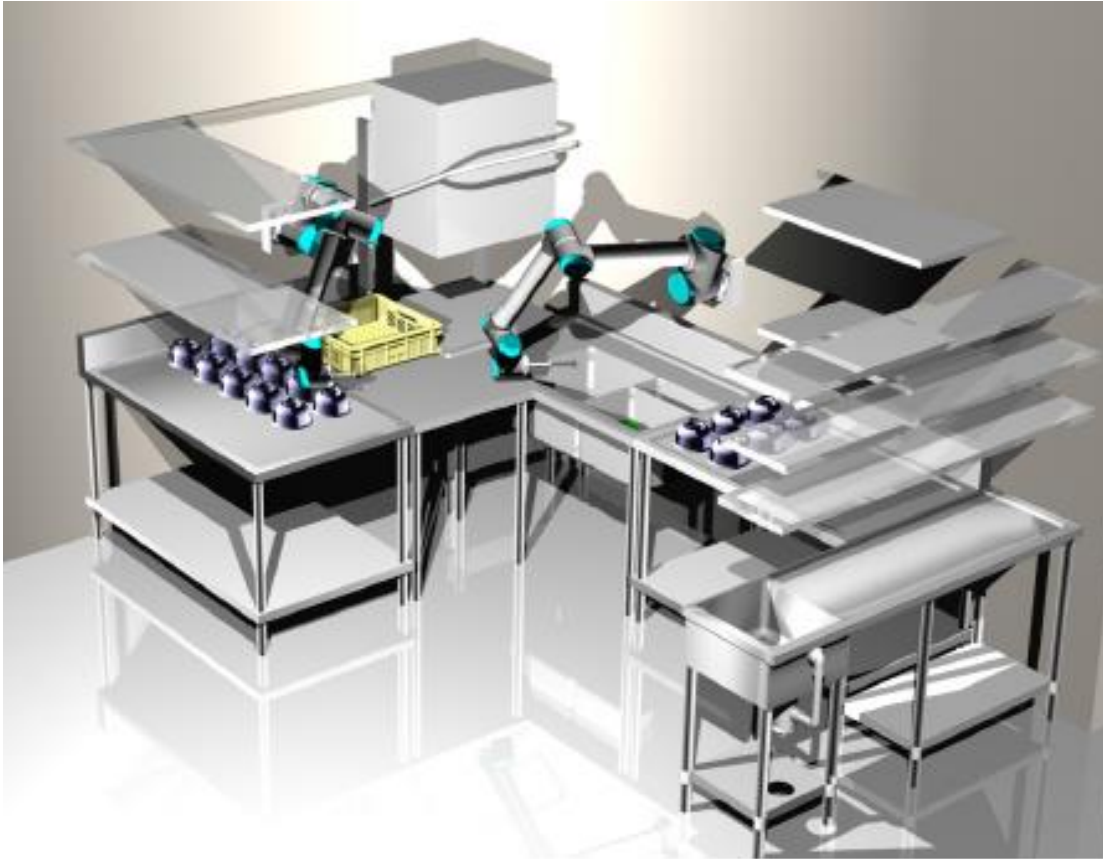
Develop new business formats that reflect to social changes



Upgrade current restaurant formats and launch new business formats to achieve the vision

- Development of Dish Washing Robot

Conceptual drawing of a dish washing system



- Using AI and robots will allow restaurant personnel to spend more time on tasks that add value
- Lowering the volume of cleaning tasks performed by people will reduce recruiting challenges created by Japan's tight labor market and hold down the growth of personnel expenses.



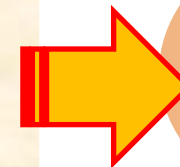
The goal is to improve productivity at restaurants and provide new added value to customers

- Other Initiatives

Internet reservation system	✓ Allow customers to use the internet for making reservations at all restaurants. Combine this with internet marketing activities with the goal of increasing restaurant utilization rates and providing customers with greater convenience.
Automated reception unit	✓ Started trial use of the EPARK automated reception unit at some restaurants in FY3/19 ✓ Plan to install this system at more restaurants in FY3/20
Develop an app covering reception, ordering and payment	✓ Studies are under way regarding the development and use of this app

## **Main Themes of the Medium-term Business Plan** (excerpt)

“Develop innovative operations that will allow consistent recruiting of the required number of people as the labor costs in Japan rise”  
- Using the start of full-scale operations at Innovative Operation Development Department to dramatically lower the volume of work at restaurants -



Taking these actions will allow restaurant personnel to spend more time on services and other activities that require people

## **Nigiri Chojiro Starting operations in Singapore**

- ✓ For more growth of *Nigiri Chojiro*, a franchising agreement was signed in April 2019 with Singapore-based Uptron (PTE) Ltd.
- ✓ Plan to open the first *Nigiri Chojiro* restaurant in June 2019

## **The restaurant market in Singapore**

- ✓ Singapore is one of the largest cities in Asia and its per capita GDP is higher than in Japan.
- ✓ There are many Chinese restaurants due to the large number of people of Chinese ancestry, but Japanese restaurants are also popular, ranking second in terms of the number of locations.
- ✓ In Singapore, sushi is offered not only at sushi restaurants but also at yakiniku restaurants and bars.
- ✓ The sushi category is diverse, including luxury restaurants as well as local and Japanese companies and sushi restaurant operators from other countries. These restaurants cover a broad range of prices and business formats. However, very few restaurants can serve authentic sushi with a casual format and outstanding flavors.
- ✓ Conveyor belt sushi operators include Genki Sushi of Japan, Sushi Express of Taiwan, Sushi-Tei of Singapore and others.

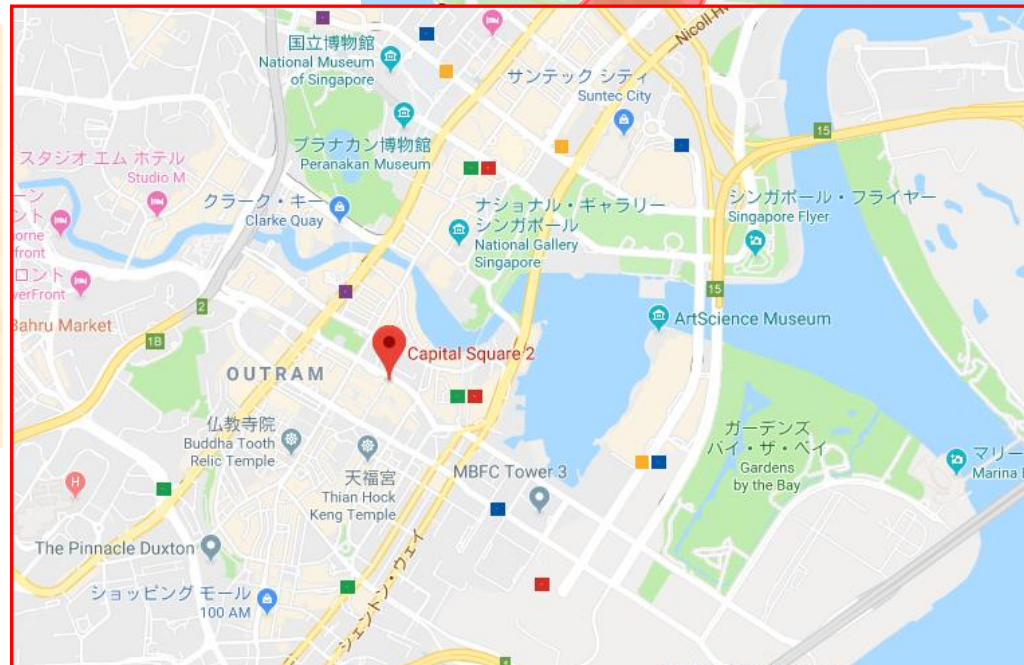
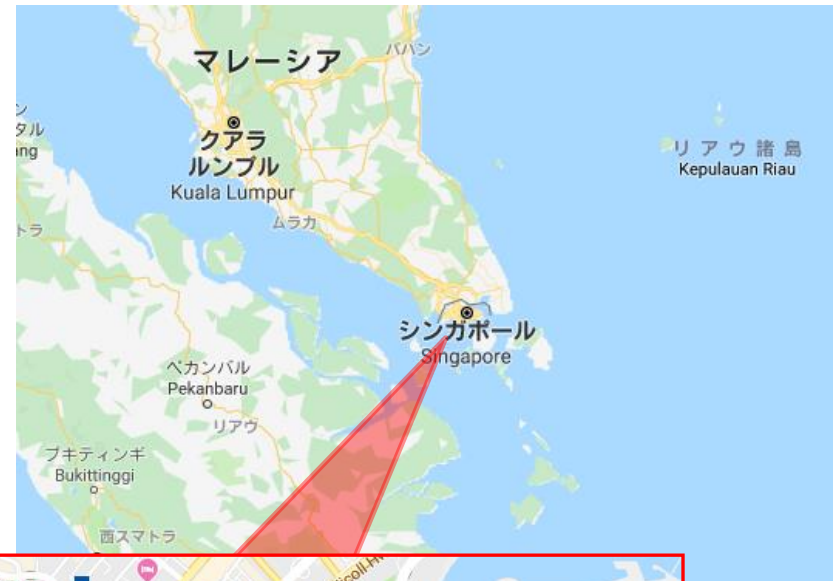


# Nigiri Chojiro Overseas Operations

The first restaurant in Singapore

- Name: *Nigiri Chojiro* CAPITAL SQUARE
- Location: 23 Church Street, Singapore 049481
- Status: A new shopping center (opened in May 2019) in the existing CAPITAL SQUARE Building
- Opening: June 2019

Uptron is the sole operator of the Japan Food Park, which is on the first floor of the CAPITAL SQUARE shopping center. *Nigiri Chojiro* will be part of a group of restaurants that also includes the PRONT, a café, Unaemon, which serves eel dishes, and Suage, a soup curry restaurant.





# Appendix

- Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development (the 2030 Agenda) is a set of international development goals from 2016 to 2030, which was adopted by the UN Sustainable Development Summit held in September 2015. The 2030 Agenda listed “Sustainable Development Goals” consisting of 17 goals and 169 targets in order to eradicate poverty and realize a sustainable world. The SDGs are universal goals applicable, not only to developing countries but also developed countries, and pledge “No One is Left Behind” through the implementation process.



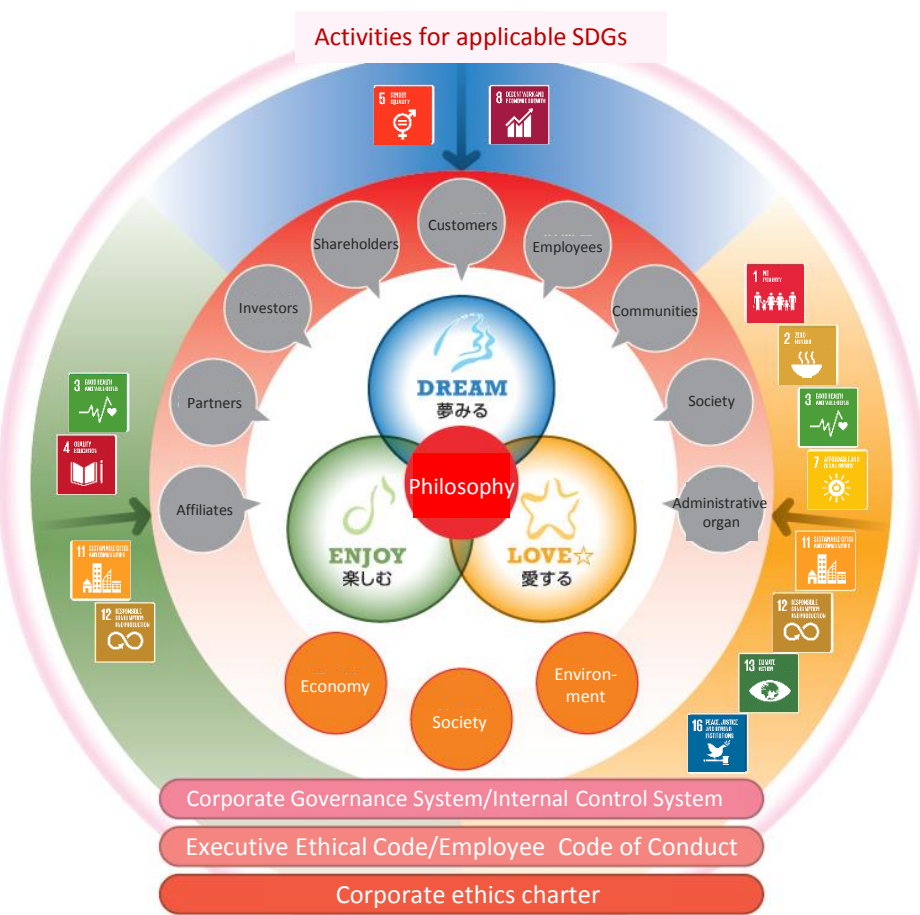


# Sustainable Development Goals Initiatives

## ▪ Initiatives for SDGs

Business activities of the SRS Group are guided by the philosophy of “contributing to society by providing food services.” We are dedicated to playing a role in solving social issues and creating value in order to achieve the sustainable society envisioned by the Sustainable Development Goals.

## ▪ Management principles and major themes of SDGs initiatives



## Dream Aiming to realize our dreams with partners

8 DECENT WORK AND ECONOMIC GROWTH



### Applicable SDGs

Help build a social infrastructure for an environment where a diverse of people can do their jobs while utilizing a variety of skills, improving productivity and achieving a sustainable society.

## Enjoy Sharing enjoyment with others

3 GOOD HEALTH AND WELL-BEING



### Applicable SDGs

Provide as part of the social infrastructure restaurants that serve with sincerity meals people can consume with confidence, enabling people of all ages to enjoy food that is inexpensive, delicious, enjoyable and satisfying.

## Love

## Loving communities and developing symbiotic relationships

11 SUSTAINABLE CITIES AND COMMUNITIES









### Applicable SDGs

Use environmental and community mutual prosperity measures to become a corporate group that grows and succeeds with communities and earns the support and affection of the public.














# Sustainable Development Goals Initiatives

## • SRS Initiatives

	Key themes	Activities in FY3/19	Applicable SDGs
Dream	Aiming to realize our dreams with partners		
	Pleasant working environment	Encouraged employees to take 7 consecutive vacation days	
		Started the employee parent-child discount to assist with caring for children	
		All restaurants became completely smoke-free in April 2018	
	Hiring and training of a diverse workforce	Continued to use the reduced-hours regular employee system	 
Newly appointed reduced-hours regular employees as restaurant managers and provided continuous support			
Enjoy	Sharing enjoyment with others		
	Commitment to food safety and confidence	Performed rigorous quality management for ingredients using SRS standards	 
		Continued to give employees hygiene training and performed strict hygiene management at restaurants for food safety and confidence	
		Displayed sources of ingredients at restaurants and used menu books to give customers information for confidence about quality and safety	
	A comfortable dining area	All restaurants became completely smoke-free in April 2018	

# Sustainable Development Goals Initiatives

## • SRS Initiatives

	Key themes	Activities in FY3/19	Applicable SDGs
Love	Loving communities and developing symbiotic relationships		
	Activities to reduce waste materials	Achieved 40% target for the reuse and recycling of food waste	  
		Provided menus that give customers the option of selecting smaller portions	
		Made use of food banks	
	Activities for environment preservation	Reduced energy consumption at each restaurant	 
		Stopped offering customers plastic straws, as a rule	
	Activities for drunk driving eradication	Continued SDD (STOP! DRUNK DRIVING) activities	 
		Promote the designated driver campaign	
	Support for disaster response overnight lodging	Continued cooperation with the emergency overnight lodging program	
	Participation in and cooperation for social contribution activities	Operated a Sushi Pavilion at KidZania Koshien	  
		Continued activities for Save the Children and the Japan Food Service Association donation campaign	
	Stronger lines of communication with stakeholders	Held financial results briefings for institutional investors and analysts	 
		Conducted public relations activities and website upgrades	
	Corporate governance	Reinforced the SRS Group's governance system	

# Consolidated Balance Sheet (BS)

(Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)	Change
Current assets	13,148	11,726	<b>(1,422)</b>
Non-current assets	17,513	17,438	<b>(74)</b>
Current liabilities	7,648	7,001	<b>(647)</b>
Non-current liabilities	8,905	7,995	<b>(910)</b>
Net assets	14,214	14,277	<b>+62</b>
Total assets	30,768	29,274	<b>(1,494)</b>

# Consolidated Statement of Cash Flows (CF)

(Millions of yen)

	FY3/18	FY3/19	Change
Cash flows from operating activities	1,970	2,084	+114
Cash flows from investing activities	1,039	(1,842)	(2,881)
Cash flows from financing activities	(984)	(1,635)	(650)
Cash and cash equivalents at end of period	10,732	9,339	(1,392)



# New Restaurants Opened in FY3/19



*Washoku Sato Toyota-higashi IC, Aichi Pref. opened on June 5, 2018*



*Washoku Sato Kuise, Hyogo Pref. opened on June 15, 2018*



*Washoku Sato Nisshin, Aichi Pref. opened on August 23, 2018*



*Chojiro Kitatsumi, Osaka opened on April 13, 2018*



*Santen Yonohonmachi, Saitama Pref. opened on May 4, 2018*



*Katsuya Nara-kashiba, Nara Pref. opened on May 11, 2018*



*Washoku Sato Tucheng, Taiwan, opened on June 27, 2018*



*Sato-don Mega Bangna, Thailand, opened on April 29, 2018*



*Sato-don, Central Rama 9, Thailand, opened on September 12, 2018*



# New Restaurants Opened in FY3/19



*CHOJIRO Hilton Plaza West, Osaka Pref. on October 25, 2018*



*Miyamoto Munashi Hankyu Hattoritenjin, Osaka Pref. on November 1, 2018*



*Washoku Sato Batu Turis, Indonesia, on November 2, 2018*



*Karayama Ikuno-shoji, Osaka Pref. on November 16, 2018*



*Washoku Sato Sanda Woody Town, Hyogo Pref. on November 20, 2018*



*Nigiri Chojiro Nisshin-takenoyama, Aichi Pref. on November 21, 2018*



*Nabeichi Mozu, Osaka Pref. on December 1, 2018*



*Nigiri Chojiro Matsuiyamate, Kyoto Pref. on December 14, 2018*



# New Restaurants Opened in FY3/19



*Washoku Sato Taichung*  
Fuxing, Taiwan, on January  
2, 2019



*Katsuya Daito, Osaka*  
Pref. on January 18,  
2019



*Washoku Sato Komaki-*  
gonaka, Aichi Pref. on  
February 9, 2019



*Nigiri Chujiro Minoo-*  
nishisyoji, Osaka Pref. on  
February 21, 2019



*CHOJIRO Kyoto Avanti, Kyoto*  
Pref. on February 22, 2019



*Miyamoto Munashi JR Nagoya Ekimae,*  
Aichi Pref. on March 1, 2019



*Katsuya Wakayama-kainan,*  
Pref. on March 15, 2019



*Washoku Sato Motosu-Kitagata,*  
Gifu Pref. on March 16, 2019



*Sato-don Amarín Plaza, Thailand, on*  
March 27, 2019





# Contact Information

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The business performance forecast in this material is based on information that was available at the time of this presentation. Contained within are many uncertain elements and due to various factors may differ substantially from the earnings outlook presented. Please understand that your decision to invest in our company is based upon your judgment.