

## DISCLAIMER

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November 7, 2018

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2019  
(Six Months Ended September 30, 2018)**

**[Japanese GAAP]**

Company name: SRS HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange, First Section  
 Securities code: 8163 URL: <https://srs-holdings.co.jp/>  
 Representative: Masahiko Shigesato, President & Chief Executive Officer  
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 Scheduled date of filing of Quarterly Report: November 12, 2018  
 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, 2019  
(April 1, 2018 - September 30, 2018)**

**(1) Consolidated operating results***(Percentages represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2018	21,908	1.0	510	96.1	483	88.5	216	0.6
Six months ended Sep. 30, 2017	21,695	6.9	260	336.2	256	-	215	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: 263 (down 2.8%)

Six months ended Sep. 30, 2017: 270 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	6.52	-
Six months ended Sep. 30, 2017	6.48	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2018	28,636	14,311	49.5	426.80
As of Mar. 31, 2018	30,768	14,214	45.8	423.98

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2018: 14,173

As of Mar. 31, 2018: 14,079

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	-	-	5.00	5.00
Fiscal year ending Mar. 31, 2019	-	-	-	-	-
Fiscal year ending Mar. 31, 2019 (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, 2019 (April 1, 2018 – March 31, 2019)***(Percentages represent year-on-year changes)*

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

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**\* 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) 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, 2018: 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 Sep. 30, 2018: 294 shares

As of Mar. 31, 2018: 294 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018: 33,208,786 shares

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

**\* This report is not subject to quarterly review by certified public accountants or auditing firms.**

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

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

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

## 1) Consolidated performance

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)			First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	21,695	1,403	6.9	21,908	213	1.0
Operating profit	260	200	336.2	510	249	96.1
Ordinary profit	256	391	-	483	227	88.5
Profit attributable to owners of parent	215	726	-	216	1	0.6

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

First half operating profit and ordinary profit 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.

Profit attributable to owners of parent was 216 million yen, about the same as one year earlier because the first half of the previous fiscal year included a gain on the sale of shares of subsidiaries in association with the sale of the *Sushi-han* business.

## 2) Other measures

At *Washoku Sato* restaurants, there were numerous activities to attract customers. One step was the addition of seasonal menu items like eel and matsutake mushroom dishes. There was also a summer campaign featuring discounted prices for shaved ice and draft beer, a reduced price for the premium-priced *Sato-Shabu* (all-you-can-eat shabu-shabu) and *Sato-Suki* (all-you-can-eat sukiyaki) to celebrate the SRS Group's 50th anniversary, and a limited-time-only autumn campaign that allowed customers to add all-you-can eat black hair wagyu (Japanese beef) and beef tripe to *Sato-Shabu* and *Sato-Suki*.

At *Santen* restaurants, all locations started selling soba dishes when the Grand Menu was revised and focused on sales of menu items that combine tendon and noodles. Restaurants also added eel dishes as a seasonal item and limited-time-only selections like tendon with pork and long sausage. Sales promotion activities utilized video advertisements.

*Nigiri Chojiro* restaurants sold Sumakatsuo and other ingredients from the production area and sold in limited quantity so that customers can appreciate the seasonal menu using seasonal ingredients such as cutlass fish and gold eye snapper. 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.

At *Miyamoto Munashi* restaurants, activities continued with the goal of attracting more customers to existing locations. Initiatives included sales of una-ju and roast beef-ju, which are eel or roast beef over rice, set menu dishes with beef tongue, and limited-time-only beer discounts.

At *Katsuya* restaurants, there were a number of limited-time-only menu selections, such as chicken cutlet with a yuzu and chili pepper topping. Another highlight of the first half was the Pork loin cutlet + One Fair that allowed customers to add one pork loin cutlet (deep-fried pork cutlet) to a menu item for only 100 yen.

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

## SRS Group Restaurants

(Number of restaurants)

Name	FY3/18 (As of Mar. 31, 2018)	Newly opened restaurants	Closed restaurants	Second quarter of FY3/19 (As of Sep. 30, 2018)	Restaurants planned to open during FY3/19
<i>Washoku Sato</i>	200 (-)	3 (-)	1 (-)	202 (-)	6 (-)
<i>Tendon Tempura Honpo Santen</i>	46 (2)	2 (-)	2 (1)	46 (1)	6 (3)
<i>Meotozenzai</i>	1 (-)	- (-)	- (-)	1 (-)	- (-)
<i>Nigiri Chojiro*</i>	57 (-)	1 (-)	1 (-)	57 (-)	6 (-)
<i>Nigiri Chujiro</i>	6 (-)	- (-)	- (-)	6 (-)	3 (-)
<i>Miyakobito</i>	14 (13)	- (-)	- (-)	14 (13)	- (-)
<i>Meshiya Miyamoto Munashi</i>	66 (6)	- (-)	2 (-)	64 (6)	5 (-)
<i>Katsuya</i>	36 (16)	1 (-)	- (-)	37 (16)	7 (2)
New restaurant format	- (-)	- (-)	- (-)	- (-)	1 (-)
Domestic total	426 (37)	7 (-)	6 (1)	427 (36)	34 (5)
Overseas stores	6 (4)	3 (2)	2 (2)	7 (4)	3 (1)
Worldwide total	432 (41)	10 (2)	8 (3)	434 (40)	37 (6)

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

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

**(2) Explanation of Financial Position**

Total assets at the end of the second quarter decreased 2,132 million yen from the end of the previous fiscal year to 28,636 million yen.

Current assets decreased 1,972 million yen from the end of the previous fiscal year to 11,176 million yen. This was mainly due to a decrease of 1,839 million yen in cash and deposits.

Non-current assets decreased 153 million yen to 17,360 million yen. This was primarily due to a decrease of 86 million yen in goodwill.

Current liabilities decreased 1,306 million yen from the end of the previous fiscal year to 6,341 million yen mainly due to decreases of 522 million yen in current portion of long-term loans payable and 240 million yen in income taxes payable.

Non-current liabilities decreased 922 million yen to 7,982 million yen mainly due to decreases of 535 million yen in long-term loans payable and 307 million yen in bonds payable.

Net assets were 14,311 million yen, an increase of 96 million yen from the end of the previous fiscal year.

**(3) Explanation of Cash Flows**

Cash and cash equivalents (hereinafter, "net cash") decreased 1,733 million yen from the end of the previous fiscal year to 8,998 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 518 million yen, compared with 495 million yen provided in the same period of the previous fiscal year. This was mainly due to profit before income taxes of 439 million yen, depreciation of 723 million yen and income taxes paid of 467 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 642 million yen, compared with 1,103 million yen provided in the same period of the previous fiscal year. This was mainly due to payments of 686 million yen for the purchase of property, plant and equipment and 106 million yen in payments into time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 1,606 million yen, compared with 525 million yen used in the same period of the previous fiscal year. This was mainly due to repayments of long-term loans payable of 1,058 million yen, redemption of bonds of 307 million yen and cash dividends paid of 166 million yen.

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

There are no revisions to the full-year consolidated earnings forecast that was announced on May 11, 2018 in the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.

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

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	10,838,502	8,998,701
Accounts receivable - trade	727,663	722,985
Merchandise	37,923	37,805
Raw materials and supplies	787,256	786,326
Other	757,544	630,286
Total current assets	13,148,890	11,176,105
Non-current assets		
Property, plant and equipment		
Buildings, net	2,801,673	2,856,031
Land	2,832,185	2,832,185
Other, net	2,540,582	2,511,352
Total property, plant and equipment	8,174,440	8,199,570
Intangible assets		
Goodwill	2,449,528	2,363,498
Other	955,493	864,648
Total intangible assets	3,405,022	3,228,146
Investments and other assets		
Investment securities	698,768	713,202
Long-term loans receivable	1,000,642	972,514
Guarantee deposits	3,191,254	3,177,371
Deferred tax assets	648,333	638,731
Other	402,905	438,329
Allowance for doubtful accounts	(8,193)	(7,702)
Total investments and other assets	5,933,710	5,932,447
Total non-current assets	17,513,174	17,360,163
Deferred assets	106,542	99,832
<b>Total assets</b>	<b>30,768,606</b>	<b>28,636,101</b>

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,354,133	1,208,364
Current portion of bonds	615,000	615,000
Current portion of long-term loans payable	1,675,520	1,153,020
Accounts payable - other	2,010,721	1,875,199
Income taxes payable	497,408	256,530
Provision for bonuses	300,917	331,520
Other	1,194,764	902,220
Total current liabilities	7,648,465	6,341,854
Non-current liabilities		
Bonds payable	3,980,000	3,672,500
Long-term loans payable	2,521,481	1,985,487
Deferred tax liabilities for land revaluation	82,947	82,947
Deferred tax liabilities	145,868	140,259
Provision for directors' retirement benefits	27,753	27,753
Asset retirement obligations	672,272	674,441
Other	1,475,185	1,399,259
Total non-current liabilities	8,905,508	7,982,648
Total liabilities	16,553,973	14,324,503
<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	1,297,412
Treasury shares	(245)	(245)
Total shareholders' equity	14,761,096	14,811,698
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	261,692	271,709
Deferred gains or losses on hedges	-	40,042
Revaluation reserve for land	(962,306)	(962,306)
Foreign currency translation adjustment	19,260	12,369
Total accumulated other comprehensive income	(681,352)	(638,184)
Non-controlling interests	134,889	138,084
Total net assets	14,214,633	14,311,598
Total liabilities and net assets	30,768,606	28,636,101



(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 FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	21,695,502	21,908,634
Cost of sales	7,496,089	7,357,757
Gross profit	14,199,412	14,550,877
Selling, general and administrative expenses	13,939,226	14,040,721
Operating profit	260,185	510,155
Non-operating income		
Interest income	8,604	6,614
Dividend income	8,978	7,163
House rent income	37,026	36,104
Foreign exchange gains	25,437	31,708
Miscellaneous income	35,985	25,612
Total non-operating income	116,032	107,203
Non-operating expenses		
Interest expenses	64,709	55,733
Rent expenses on real estates	30,138	29,098
Miscellaneous loss	24,631	48,684
Total non-operating expenses	119,479	133,517
Ordinary profit	256,738	483,841
Extraordinary income		
Gain on sales of shares of subsidiaries	284,325	-
Gain on cancellation of leasehold contracts	-	11,018
Total extraordinary income	284,325	11,018
Extraordinary losses		
Loss on retirement of non-current assets	17,180	17,229
Impairment loss	7,567	34,620
Loss on cancellation of leases	-	3,780
Total extraordinary losses	24,748	55,629
Profit before income taxes	516,314	439,230
Income taxes - current	294,613	237,469
Income taxes - deferred	(4,065)	(18,079)
Total income taxes	290,547	219,389
Profit	225,766	219,840
Profit attributable to non-controlling interests	10,491	3,194
Profit attributable to owners of parent	215,275	216,645

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

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	225,766	219,840
Other comprehensive income		
Valuation difference on available-for-sale securities	44,788	10,017
Deferred gains or losses on hedges	-	40,042
Foreign currency translation adjustment	-	(6,891)
Total other comprehensive income	44,788	43,168
Comprehensive income	270,555	263,009
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	260,063	259,814
Comprehensive income attributable to non-controlling interests	10,491	3,194

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	516,314	439,230
Depreciation	719,997	723,485
Amortization of goodwill	86,030	86,030
Loss (gain) on sales of shares of subsidiaries	(284,325)	-
Loss (gain) on cancellation of leasehold contracts	-	(11,018)
Impairment loss	7,567	34,620
Increase (decrease) in provision for bonuses	23,822	30,602
Increase (decrease) in allowance for doubtful accounts	(770)	(490)
Increase (decrease) in provision for directors' retirement benefits	(1,825)	-
Interest and dividend income	(17,583)	(13,777)
Interest expenses	64,709	55,733
Loss on retirement of non-current assets	17,180	17,229
Decrease (increase) in notes and accounts receivable - trade	58,109	4,643
Decrease (increase) in inventories	47,619	574
Increase (decrease) in notes and accounts payable - trade	(233,941)	(144,966)
Increase (decrease) in accrued consumption taxes	(1,963)	(183,109)
Decrease (increase) in consumption taxes refund receivable	-	137,481
Increase (decrease) in accounts payable - other	(181,736)	(132,407)
Other, net	(20,024)	(8,729)
Subtotal	799,182	1,035,132
Interest and dividend income received	10,613	7,562
Interest expenses paid	(64,699)	(56,708)
Income taxes refund	20,770	-
Income taxes paid	(270,164)	(467,456)
Net cash provided by (used in) operating activities	495,703	518,530
<b>Cash flows from investing activities</b>		
Payments into time deposits	(728,244)	-
Proceeds from withdrawal of time deposits	374,649	106,240
Purchase of property, plant and equipment	(968,564)	(686,104)
Proceeds from sales of shares of subsidiaries	2,520,000	-
Purchase of intangible assets	(62,944)	(16,934)
Payments for guarantee deposits	(40,045)	(67,630)
Proceeds from collection of guarantee deposits	75,146	50,732
Payments of construction assistance fund receivables	(45,766)	(36,500)
Collection of construction assistance fund receivables	44,089	47,837
Other, net	(64,583)	(39,869)
Net cash provided by (used in) investing activities	1,103,736	(642,228)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	350,000	-
Proceeds from issuance of bonds	683,793	-
Repayments of long-term loans payable	(1,073,116)	(1,058,736)
Repayments of finance lease obligations	(82,759)	(73,808)
Redemption of bonds	(237,500)	(307,500)
Cash dividends paid	(166,044)	(166,043)
Net cash provided by (used in) financing activities	(525,626)	(1,606,088)
Effect of exchange rate change on cash and cash equivalents	11,947	(3,774)
Net increase (decrease) in cash and cash equivalents	1,085,760	(1,733,561)
Cash and cash equivalents at beginning of period	8,532,038	10,732,262
Cash and cash equivalents at end of period	9,617,799	8,998,701

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Additional Information**

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), etc. in the first quarter 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.

**Segment and Other Information**

The SRS Group 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.*