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May 18, 2020

**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020**

**[Japanese GAAP]**

Company name: SRS HOLDINGS CO., LTD.	Listing: Tokyo Stock Exchange, First Section
Securities code: 8163	URL: <a href="https://srs-holdings.co.jp/">https://srs-holdings.co.jp/</a>
Representative: Masahiko Shigesato, President & Chief Executive Officer	
Contact: Masahiro Tanaka, Director & Head of Administration Division	Tel: +81-6-7222-3101
Scheduled date of ordinary general meeting of shareholders: June 25, 2020	
Scheduled date of filing of Securities Report: June 26, 2020	
Scheduled date of payment of dividend: -	
Preparation of supplementary references regarding quarterly results: No	
Holding of quarterly results briefing: No	

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

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

(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, 2020	44,643	0.3	186	(81.7)	246	(74.7)	(2,486)	-
Fiscal year ended Mar. 31, 2019	44,512	0.8	1,019	37.5	976	64.7	282	160.3

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: (2,566) (- %) Fiscal year ended Mar. 31, 2019: 228 (29.3%)

	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, 2020	(74.37)	-	(18.6)	0.8	0.4
Fiscal year ended Mar. 31, 2019	8.51	-	2.0	3.3	2.3

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2020: - Fiscal year ended Mar. 31, 2019: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	32,921	12,802	38.4	365.01
As of Mar. 31, 2019	29,274	14,277	48.3	425.83

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 12,647 As of Mar. 31, 2019: 14,141

(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, 2020	1,243	(4,461)	2,751	8,877
Fiscal year ended Mar. 31, 2019	2,084	(1,842)	(1,635)	9,339

**2. Dividends**

	Dividends per share					Total dividends	Dividend payout ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2019	-	0.00	-	6.00	6.00	199	70.5	1.4
Fiscal year ended Mar. 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2021 (forecast)	-	-	-	-	-			

Note: Dividends for the fiscal year ending March 31, 2021 have not been determined at this time.

### 3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020– March 31, 2021)

The consolidated earnings forecasts for the fiscal year ending March 31, 2021 have not been determined because it is difficult to reasonably calculate the effects of the new coronavirus (COVID-19) infection at this stage. In the future, we will announce the forecast as soon as it becomes possible to make a reasonable forecast.

#### \* Notes

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

New companies: KAZOKUTEI CO., LTD., SUNROLLY CO., LTD.

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, 2020: 34,770,184 shares

As of Mar. 31, 2019: 33,209,080 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2020: 119,343 shares

As of Mar. 31, 2019: 343 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2020: 33,439,753 shares

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

#### (Reference) Summary of Non-consolidated Financial Results

##### Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	18,436	1.3	885	30.0	816	28.1	(2,244)	-
Fiscal year ended Mar. 31, 2019	18,193	(29.8)	681	251.2	637	235.9	186	830.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	(67.11)	-
Fiscal year ended Mar. 31, 2019	5.61	-

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Mar. 31, 2020	29,063		12,549		43.2		362.18	
As of Mar. 31, 2019	25,416		13,799		54.3		415.55	

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2020: 12,549

As of Mar. 31, 2019: 13,799

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

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

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

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## 1. Overview Results of Operations

### (1) Results of Operations

#### 1) Consolidated Performance

(Millions of yen)

	FY3/19 (Apr. 1, 2018 - Mar. 31, 2019)			FY3/20 (Apr. 1, 2019 - Mar. 31, 2020)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net Sales	44,512	356	0.8%	44,643	130	0.3%
Operating profit	1,019	277	37.5%	186	(832)	(81.7%)
Ordinary profit	976	383	64.7%	246	(729)	(74.7%)
Profit attributable to owners of parent	282	174	160.3%	(2,486)	(2,769)	-

In the FY2020, net sales increased compared with the FY2019 due to an increase in the number of stores resulting from new store openings, despite the negative impact of large-scale typhoons and the consumption tax hike, as well as the spread of the new coronavirus (COVID-19).

In terms of profits, operating income decreased compared with the previous fiscal year due to a decrease in sales at existing stores and due to the impact of the new coronavirus (COVID-19) infections disease and an increase in personnel expenses, despite reductions in utility and other expenses.

Net loss attributable to the parent company was 2,486 million yen because, regarding Miyamoto Munashi Co., Ltd., a consolidated subsidiary of the Company, the book value of goodwill was reduced to a recoverable amount and 1,348 million yen was recorded as an extraordinary loss as a result of considering its financial content and future business outlook. In addition to that, the profitability of business assets held by the Group declined, an impairment loss of 870 million yen was recorded as an extraordinary loss.

At a meeting of the Board of Directors held on December 26, 2019, the Company resolved to implement a share exchange in which Company will become the wholly-owned parent company of the Company through a share exchange. "KAZOKUTEI Co., Ltd." and "SUNROLLY Co., Ltd." will become wholly-owned subsidiaries of the Company. The share exchange was taken on February 1, 2020.

For details, please refer to "4. Consolidated Financial Statements and Notes (5) Notes to Consolidated Financial Statements (Business Combinations, etc.)."

2) Opening and closure of restaurants

(Number of restaurants)

Name	FY 3/19 (As of Mar.31, 2019)	Newly opened restaurants	Closed restaurants	FY 3/20 (As of Mar.31, 2020)	Restaurants planned to open during FY 3/20
<i>Washoku Sato</i>	204 (-)	3 (-)	3 (-)	204 (-)	3 (-)
<i>Kazokutei*</i>	- (-)	80 (9)	- (-)	80 (9)	-(-)
<i>Tokutoku*</i>	- (-)	80 (64)	1 (1)	79 (63)	-(-)
<i>Nigiri Chojiro*</i>	60 (-)	8 (-)	- (-)	68 (-)	5 (-)
<i>Meshiya Miyamoto Munashi</i>	63 (5)	- (-)	8 (1)	55 (4)	2 (-)
<i>Tendon Tempura Honpo Santen</i>	43 (1)	- (-)	- (-)	43 (1)	2 (-)
<i>Katsuya</i>	39 (16)	1 (-)	2 (2)	38 (14)	3 (2)
<i>Himawari*</i>	- (-)	14 (-)	1 (-)	13 (-)	-(-)
Sushi delivery business*	20 (13)	2 (1)	11 (10)	11 (4)	2 (-)
SUNROLLY FC Business*	- (-)	35 (-)	3 (-)	32 (-)	-(-)
Others	3 (-)	24 (-)	1 (-)	26 (-)	3 (-)
Domestic total	432 (35)	247 (74)	30 (14)	649 (95)	20 (2)
Overseas stores	10 (6)	8 (5)	2 (2)	16 (9)	11 (6)
Worldwide totals	442 (41)	255 (79)	32 (16)	665 (104)	31 (8)

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

\* Store openings and closures include the stores of KAZOKUTEI Co., Ltd. and SUNROLLY Co., Ltd., which were acquired on February 1, 2020.

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

\* *Kazokutei* includes *Kashunan*, *Sanpoan*, *Kazokuan*, *Kyoshun*, and *Kyosai* restaurants.

\* *Tokutoku* includes *Tokutoku* and *Dondontei*.

\* *Himawari* includes *Sabo-Himawari*.

\* SUNROLLY FC Business is the total number of stores operated by SUNROLLY Co., Ltd. in the *Popolamama*, *Mister Donut*, *Doutor Coffee*, and *Oogamaya* restaurants.

\* The results of opening and closing of Sushi delivery business include a shift from direct management to FC stores.

3) Other measures

*Washoku Sato* restaurants continued to refine 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 also continued to implement initiatives to increase the frequency of visits to our stores, such as strengthening sales of takeout products and holding store-specific "tuna fairs."

*Tendon Tempura Honpo Santen* restaurants have begun selling products that use fried chicken as a new standard product, as well as selling limited-time menu items such as Sakura prawns and Sayori, in order to increasing customers can visit more frequency.

We also worked on cultivating a new customer base by conducting a photo posting campaign on official Instagram.

*Nigiri Chojiro* restaurants conducted campaigns using seasonal ingredients such as sea bream, sword tip squid and snow crabs. In addition, *CHOJIRO* Shijokiyamachi store received the Travelers Choice Award, the most honorable award given by the Trip Advisor.

*Miyamoto Munashi* restaurants continued to actively implement product measures such as selling a set meal of 600 yen for lunch only on weekdays for the purpose of increasing the number of customers, while selling a set meal using salmon roe, beef Misuji for a limited time.

*Katsuya* restaurants changed the grand menu and strengthen the variety katsudon menu. In addition, we also sold a limited-time menu such as spice chicken's corn flakes cutlet bowls and sauce cutlet bowls that use chicken breast characterized by a secret sauce that moisturizes.

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

## (2) Financial Position

Total assets increased by 3,647 million yen to 32,921 million yen at the end of FY2020 compared with the end of FY2019. Current assets increased by 70 million yen to 11,796 million yen at the end of FY2020 compared with the end of FY 2019. This was mainly due to the decrease of 462 million yen in cash and deposits, an increase of 348 million yen in accounts receivable-trade associated with the acquisition of a consolidated subsidiary, and an increase of 279 million yen in raw materials and supplies.

Non-current assets increased by 3,475 million yen to 20,913 million yen at the end of FY2020 compared with the end of FY2019. This was mainly due to the increase of 1,549 million yen in guarantee deposits associated with the acquisition of consolidated subsidiaries and the increase of 1,437 million yen in land.

Current liabilities increased by 890 million yen to 7,891 million yen at the end of FY2020 compared with the end of FY2019. This was mainly due to the increase of 410 million yen in current portion of bonds and the increase of 302 million yen in accounts payable-other.

Non-current liabilities increased by 4,232 million yen to 12,227 million yen at the end of FY2020 compared with the end of FY2019. This was mainly due to the increase of 3,055 million yen in bonds payable and an increase of 568 million yen in asset retirement obligations associated with the acquisition of a consolidated subsidiary.

Net assets decreased by 1,475 million yen to 12.802 million yen at the end of FY2020 compared with the end of FY2019.

## (3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") decreased by 462 million yen to 8,877 million yen at the end of FY2020 compared with the end of FY2019.

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

Net cash provided by operating activities was 1,243 million yen at the end of FY2020 compared with 2,084 million yen at the end of FY2019. This was mainly due to the loss before income taxes of 2,075 million yen, depreciation and amortization of 1,707 million yen, and impairment loss of 2,325 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 4,461 million yen at the end of FY2020, compared with 1,842 million yen at the end of FY2019. This was mainly due to the payments of 2,228 million yen for purchase of property and due to the payments of 2,084 million yen for acquisition of subsidiary shares resulting in change in scope of consolidation.

(Cash flows from financing activities)

Net cash used in financing activities was 2,751 million yen at the end of FY2020 compared with 1,635 million yen at the end of FY2019. This was mainly due to the issuing corporate bond amount 4,033 million yen and repayment of long-term debt amount 1,041 million yen.

### (Reference) Trends in cash flow indicators

	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Equity ratio (%)	51.8	45.1	45.8	48.3	38.4
Equity ratio based on market value (%)	94.1	89.0	103.2	112.3	95.0
Interest-bearing debt to cash flow ratio(years)	6.0	6.6	5.1	4.2	9.7
Interest coverage ratio (times)	9.1	12.6	15.5	19.3	12.4

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

Note: 1. Market capitalization is calculated by the number of shared 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

Since the spread of new coronavirus infections poses a global threat, there is concern that the decline in consumption and sluggish production activities due to going out and refraining from events, it is expected that the outlook for the domestic and overseas economies will remain extremely uncertain.

At the end of FY2020, 125 of the Group's stores, mainly commercial facilities, had been temporarily closed, and most of the other stores were also shortening their business hours. Under these circumstances, we will focus on cash flow management in FY2021. In order to minimize the outflow of funds, we will reduce fixed costs by reduction of rent and review of delivery frequency to stores and temporarily curbing new investment. At the same time, we will strengthen our business for the future by strengthening takeout and delivery sales and further promoting initiatives in the prepared meal business. As soon as the rational forecasts become possible, we will promptly announce the forecast of business results for the FY2021, the measures to open stores, and the revision of the medium-term management plan.

(Risk information associated with the spread of new coronavirus (COVID-19) infections)

Business performance and financial situation may be affected due to the expansion of new coronavirus infections, the number of customers visiting the store has been affected by the refraining from going out, temporary closure of stores and shortened working hours, and a decrease in inbound demand.

(Financial measures)

The Company raised 4 billion yen by issuing unsecured bonds and borrowing in March 2020, we have approximately 8.8 billion yen of consolidated cash and cash equivalents at the end of FY2020. In the FY2021, the Company is working to ensure sufficient liquidity by raising 5 billion yen and concluding a commitment line agreement of 4 billion yen.

(Forecast)

The consolidated financial forecast for the FY2021 has not been decided because it is difficult to reasonably calculate the impact of the new coronavirus infection at this stage. We will announce it as soon as a reasonable forecast becomes possible.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

Our basic policy on profit distribution is to maintain a stable dividend as much as possible, not to maintain a certain dividend payout ratio depending on business results.

However, we will post a net loss for the FY2020, and we regret to say that we will not pay a year-end dividend. Also, the dividend for the FY 2021 has not been decided.

## 2. Corporate Group

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

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

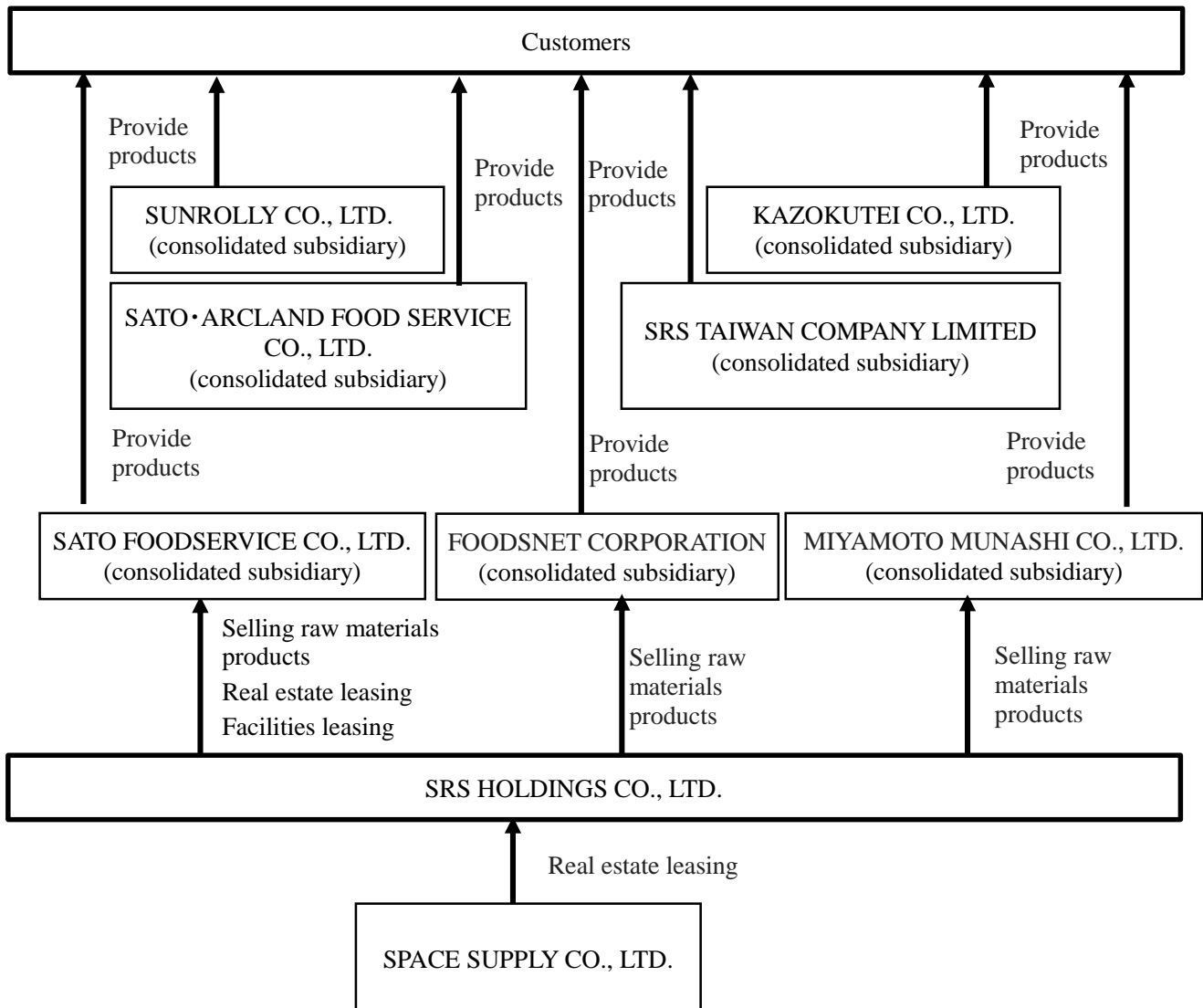
Our group's business content and relationship with the Company are described below with a systematic chart of the business.

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

Restaurants management: SATO FOODSERVICE CO., LTD., FOODSNET CORPORATION, KAZOKUTEI CO., LTD., MIYAMOTO MUNASHI CO., LTD., SUNROLLY 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)

	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	9,339,721	8,877,696
Accounts receivable-trade	842,705	1,191,318
Merchandise	37,525	45,509
Raw materials and supplies	669,858	949,574
Other	836,339	737,651
Allowance for doubtful accounts	-	(5,168)
<b>Total current assets</b>	<b>11,726,151</b>	<b>11,796,584</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,127,336	24,288,988
Accumulated depreciation	*3 (14,528,548)	*3 (19,711,742)
Buildings and structures, net	*2 3,598,788	*2 4,577,245
Machinery, equipment and vehicles	777,291	875,864
Accumulated depreciation	*3 (660,268)	*3 (708,436)
Machinery, equipment and vehicles, net	117,023	167,428
Land	*2,*4 2,832,185	*2,*4 4,270,075
Leased assets	2,235,187	2,186,647
Accumulated depreciation	*3 (1,365,043)	*3 (1,514,329)
Lease assets, net	870,143	672,317
Construction in progress	23,606	59,120
Other	4,435,414	6,062,147
Accumulated depreciation	*3 (3,293,626)	*3 (4,686,874)
Other, net	1,141,787	1,375,273
<b>Total property, plant and equipment</b>	<b>8,583,534</b>	<b>11,121,461</b>
Intangible assets		
Goodwill	2,277,467	1,821,892
Other	862,042	839,449
<b>Total intangible assets</b>	<b>3,139,509</b>	<b>2,661,342</b>
Investments and other assets		
Investment securities	*1,*2 609,408	*1,*2 486,482
Long-term loans receivable	956,431	930,976
Guarantee deposits	3,189,265	4,738,731
Deferred tax assets	594,539	629,398
Other	374,657	360,816
Allowance for doubtful accounts	(9,121)	(15,454)
<b>Total investments and other assets</b>	<b>5,715,181</b>	<b>7,130,950</b>
<b>Total non-current assets</b>	<b>17,438,225</b>	<b>20,913,754</b>
Deferred assets	109,686	210,909
<b>Total assets</b>	<b>29,274,063</b>	<b>32,921,247</b>

(Thousands of yen)

	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,360,759	1,503,966
Current portion of bonds	685,000	1,095,000
Current portion of long - term loans payable	*2 1,031,224	*2 771,323
Lease obligations	84,778	96,831
Accounts payable - other	2,005,408	2,308,386
Income taxes payable	285,691	252,740
Provision for bonuses	366,631	402,702
Other	1,181,930	1,460,575
<b>Total current liabilities</b>	<b>7,001,422</b>	<b>7,891,526</b>
Non-current liabilities		
Bonds payable	3,995,000	7,050,000
Long-term loans payable	*2 1,778,606	*2 1,847,386
Lease obligations	1,176,782	1,198,785
Deferred tax liabilities for land revaluation	*4 82,947	*4 82,947
Deferred tax liabilities	-	168,273
Provision for retirement benefits for directors (and other officers)	27,753	47,893
Provision for directors' stock benefits	-	850
Liability for retirement benefits	-	189,725
Asset retirement obligations	703,696	1,272,015
Other	230,326	369,782
<b>Total noncurrent liabilities</b>	<b>7,995,112</b>	<b>12,227,660</b>
<b>Total liabilities</b>	<b>14,996,535</b>	<b>20,119,186</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,532,856	8,532,856
Capital surplus	4,981,675	6,391,352
Retained earnings	1,363,313	(1,322,741)
Treasury shares	(295)	(120,009)
<b>Total shareholders' equity</b>	<b>14,877,549</b>	<b>13,481,457</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	190,195	84,925
Deferred gains or losses on hedges	23,928	32,731
Revaluation reserve for land	*4 (962,306)	*4 (962,306)
Foreign currency translation adjustment	12,010	11,070
<b>Total accumulated other comprehensive income</b>	<b>(736,172)</b>	<b>(833,578)</b>
Non-controlling interests	136,150	154,182
<b>Total net assets</b>	<b>14,277,528</b>	<b>12,802,060</b>
<b>Total liabilities and net assets</b>	<b>29,274,063</b>	<b>32,921,247</b>

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

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	44,512,381	44,643,353
Cost of sales	15,134,020	15,521,822
Gross profit	29,378,361	29,121,531
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	215,820	207,290
Provision for directors' stock benefits	-	850
Salaries and allowances	13,215,515	13,739,504
Employees' bonuses	278,512	275,548
Provision for bonuses	357,091	308,629
Welfare expenses	1,256,414	1,318,532
Retirement benefit expenses	153,124	156,277
Utility expenses	1,844,019	1,614,246
Supplies expenses	1,153,005	1,221,637
Rent expenses	4,511,365	4,615,658
Repair expenses	483,153	468,558
Depreciation	1,551,367	1,700,695
Miscellaneous expenses	3,167,708	3,135,526
Amortization of goodwill	172,061	172,061
Total selling, general and administrative expenses	28,359,161	28,935,016
Operating profit	1,019,200	186,514
Non-operating income		
Interest income	12,655	11,142
Dividend income	15,078	137,490
House rent income	72,219	68,560
Foreign exchange gains	34,344	7,459
Miscellaneous income	50,772	56,090
Total non-operating income	185,069	280,742
Non-operating expenses		
Interest expenses	108,060	100,715
Rent expenses on real estates	58,601	49,015
Miscellaneous loss	61,310	70,773
Total non-operating expenses	227,972	220,503
Ordinary profit	976,297	246,753
Extraordinary income		
Gain on sales of shares of non-current assets	-	3,999
Gain on sales of investment securities	-	186
The gain from negative goodwill	-	*3 24,134
Gain on cancellation of leasehold contracts	11,809	153
Insurance income	*4 86,963	-
Compensation income	-	42,748
Total extraordinary income	98,772	71,223
Extraordinary losses		
Loss on retirement of non-current assets	*1 37,240	*1 45,792
Loss on cancellation of rental contracts	3,780	21,977
Impairment loss	*2 330,563	*2 2,325,433
Loss on disaster	*5 50,157	-
Total extraordinary losses	421,741	2,393,203
Profit(loss) before income taxes	653,329	(2,075,226)
Income taxes - current	454,282	416,332
Income taxes - deferred	(84,761)	(22,787)
Total income taxes	369,520	393,544
Profit(loss)	283,808	(2,468,771)
Profit attributable to non-controlling interests	1,261	18,031
Profit(loss) attributable to owners of parent	282,547	(2,486,802)

## (Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit(loss)	283,808	(2,468,771)
Other comprehensive income		
Valuation difference on available-for-sale securities	(71,496)	(105,270)
Deferred gains or losses on hedges	23,928	8,803
Foreign currency translation adjustment	(7,250)	(939)
Total other comprehensive income	* (54,819)	* (97,406)
Comprehensive income	228,989	(2,566,177)
Comprehensive income attributable to owners of parent	227,727	(2,584,209)
Comprehensive income attributable to non-controlling interests	1,261	18,031

(3) Consolidated Statements of Changes in Equity  
 FY 3/19 (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					
Issuance of new shares					-
Dividends of surplus			(166,043)		(166,043)
Profit attributable to owners of parent			282,547		282,547
Purchase of treasury shares				(50)	(50)
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							
Issuance of new shares							-
Dividends of surplus							(166,043)
Profit attributable to owners of parent							282,547
Purchase of treasury shares							(50)
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

FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	1,363,313	(295)	14,877,549
Changes of items during period					
Issuance of new shares		1,409,676			1,409,676
Dividends of surplus			(199,252)		(199,252)
Profit attributable to owners of parent			(2,486,802)		(2,486,802)
Purchase of treasury shares				(119,714)	(119,714)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	1,409,676	(2,686,055)	(119,714)	(1,396,092)
Balance at end of current period	8,532,856	6,391,352	(1,322,741)	(120,009)	13,481,457

(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	190,195	23,928	(962,306)	12,010	(736,172)	136,150	14,277,528
Changes of items during period							
Issuance of new shares							1,409,676
Dividends of surplus							(199,252)
Profit attributable to owners of parent							(2,486,802)
Purchase of treasury shares							(119,714)
Net changes of items other than shareholders' equity	(105,270)	8,803	-	(939)	(97,406)	18,031	(79,374)
Total changes of items during period	(105,270)	8,803	-	(939)	(97,406)	18,031	(1,475,467)
Balance at end of current period	84,925	32,731	(962,306)	11,070	(833,578)	154,182	12,802,060

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	653,329	(2,075,226)
Depreciation	1,564,858	1,707,555
Amortization of goodwill	172,061	172,061
Impairment loss	330,563	2,325,433
The gain from negative goodwill	-	(24,134)
Increase (decrease) in provision for bonuses	65,713	(50,269)
Increase (decrease) in allowance for doubtful accounts	928	(2,674)
Interest and dividends income	(27,733)	(148,632)
Interest expenses	108,060	100,715
Compensation income	-	(42,748)
Loss (gain) on sales of investment securities	-	(186)
Gain on sales of non-current assets	-	(3,999)
Loss on retirement of non-current assets	37,240	45,792
Decrease (increase) in notes and accounts receivable-trade	(115,168)	(75,178)
Decrease(increase) in inventories	117,287	(127,030)
Increase (decrease) in notes and accounts payable-trade	7,419	(237,589)
Increase (decrease) in accounts payable -other	267	(110,412)
Increase (decrease) in accrued consumption taxes	(18,199)	(45,665)
Decrease (increase) in consumption taxes refund receivable	(39,883)	266,484
Other, net	(38,215)	(92,599)
Subtotal	2,818,530	1,581,693
Interest and dividend income received	15,362	137,098
Interest expenses paid	(108,630)	(100,850)
Proceeds from insurance income	86,963	-
Compensation received	-	68,161
Income taxes paid	(727,411)	(506,431)
Income taxes refund	-	64,303
Net cash provided by (used in) operating activities	2,084,814	1,243,974
<b>Cash flow from investing activities</b>		
Proceeds from withdrawal of time deposits	106,240	-
Purchase of property, plant and equipment	(1,755,836)	(2,228,077)
Proceeds from sales of property, plant and equipment	-	4,000
Proceeds from sales of investment securities	-	1,889
Purchase of intangible assets	(112,815)	(247,096)
Purchase of share of subsidiaries resulting in change in scope of consolidation	-	*2 (2,084,642)
Income of purchase of share of subsidiaries resulting in change in scope of consolidation	-	*2 50,069
Payments for guarantee deposits	(114,725)	(76,887)
Proceeds from collection of guarantee deposits	90,099	69,589
Payments for construction assistance fund receivables	(70,000)	(49,007)
Collections of construction assistance fund receivables	93,910	94,920
Other, net	(79,101)	3,806
Net cash provided by (used in) investing activities	(1,842,229)	(4,461,436)

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from financing activities		
Proceeds from short-term loans payable	-	1,500,000
Repayments of short-term loans payable	-	(1,500,000)
Proceeds from long-term loans payable	300,000	850,000
Repayments of long-term loans payable	(1,687,649)	(1,041,568)
Repayments of finance lease obligations	(149,495)	(86,213)
Proceeds from issuance of bonds	683,033	4,033,143
Redemption of bonds	(615,000)	(685,000)
Purchase of treasury shares	(50)	(119,714)
Cash dividends paid	(166,043)	(199,252)
Net cash provided by (used in) financing activities	(1,635,206)	2,751,395
Effect of exchange rate change on cash and cash equivalents	81	4,042
Net increase (decrease) in cash and cash equivalents	(1,392,540)	(462,024)
Cash and cash equivalents at beginning of period	10,732,262	9,339,721
Cash and cash equivalents at end of period	*1 9,339,721	*1 8,877,696



## (5) Note to Consolidated Financial Statements

### Going Concern Assumption

Not applicable.

### Notes to Consolidated Balance Sheets

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

	(Thousands of yen)	
	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
Investment securities (stocks)	50,000	50,000

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

Assets pledged as collateral

	(Thousands of yen)	
	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
Buildings and structures	65,439	57,152
Land	2,804,319	2,804,319
Investment securities	258,500	189,410
Total	3,128,258	3,050,881

Liabilities with collateral

	(Thousands of yen)	
	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
Long-term loans payable (including current portion of long-term loans payable)	1,937,850	1,312,000

\*3. Accumulated depreciation includes 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)	
	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
The difference between the market value of land and book value after revaluation	(1,186,561)	(1,153,313)

## Notes to Consolidated Statements of Income

### \*1. Breakdown of loss on retirement of non-current assets

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Buildings and structures	28,747	21,038
Machinery, equipment and vehicles	1,430	772
Property, plant and equipment, others	6,999	10,000
Intangible assets, others	-	13,980
Investment and other assets	64	-
Total	37,240	45,792

### \*2. Impairment loss

FY 3/19 (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
	Higashi-osaka, 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

(Thousands of yen)

Primary use	Class	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
	Investment and other assets	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 the asset group is measured by using utility value which is calculated by discounting future cash flows by 5.0%.

FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)

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 Intangible assets, others Investment and other assets, other	Katsushika, Tokyo
		Tama, Tokyo
		Hachioji, Tokyo
		Saitama, Saitama
		Koshigaya, Saitama
		Niiza, Saitama
		Kawagoe, Saitama
		Kawaguchi, Saitama
		Asaka, Saitama
		Ichikawa, Chiba
		Shizuoka, Shizuoka
Hamamatsu, Shizuoka		
Nagoya, Aichi		
Gifu, Gifu		
Mie, Mie		
Kusatsu, Shiga		
Uji, Kyoto		
Kyotanabe, Kyoto		
Kyoto, Kyoto		
Ibaraki, Osaka		
Sakai, Osaka		
Shijonawate, Osaka		
Moriguchi, Osaka		
Neyagawa, Osaka		
Izumisano, Osaka		

Primary use	Class	Location
Stores, etc.	Buildings and structures Machinery, equipment and vehicles Leased assets Property, plant and equipment, others Intangible assets, others Investment and other assets, others	Osaka, Osaka
		Daito, Osaka
		Higashiosaka, Osaka
		Yao, Osaka
		Toyonaka, Osaka
		Hirakata, Osaka
		Kadoma, Osaka
		Ikeda, Osaka
		Takatsuki, Osaka
		Kashiba, Nara
		Nara, Nara
		Katsuragi, Nara
Kitakatsuragi, Nara		
Kako, Hyogo		
Kobe, Hyogo		
Amagasaki, Hyogo		
Himeji, Hyogo		
Akashi, Hyogo		
Kawanishi, Hyogo		
Okayama, Okayama		
(Overseas)		
Taoyuan, Taiwan		
New Taipei, Taiwan		
Taichung, Taiwan		
Taipei, Taiwan		
Others	Goodwill Intangible assets, others	-

(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.

In addition, the goodwill, intangible fixed assets and others that occurred during the shares of Miyamoto Munashi Co., Ltd., a consolidated subsidiary, the book value was reduced to the recoverable value in consideration of its financial conditions and future outlook, and the amount of the reduction was recorded as an impairment loss and extraordinary losses.

(3) Amount of impairment losses

(Thousands of yen)		
Primary use	Class	Amount
Stores, etc.	Buildings and structures	486,348
	Machinery, equipment and vehicles	6,946
	Leased assets	184,861
	Property, plant and equipment, others	188,184
	Intangible assets, others	2,168
	Investment and other assets, others	2,254
Others	Goodwill	1,348,669
	Intangible assets, others	106,000
	Total	2,325,433

(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 5.1%. The value in use of goodwill, intangible fixed assets, and other items incurred during the acquisition of shares of Miyamoto Munashi Co., Ltd., a consolidated subsidiary, is calculated by discounting future cash flows by 9.6%.

\*3. Details of Gain on negative goodwill are as follows.

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Gain on negative goodwill arising from the acquisition of shares of SUNROLLY Co., Ltd.	-	24,134

\*4. Insurance income

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

\*5. Loss on disaster

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

**Notes to Consolidated Statements of Comprehensive Income**

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

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Valuation difference on available-for-sale securities :		
Amount incurred during the year	(89,359)	(121,036)
Reclassification adjustments	-	(186)
Before-tax effect adjustments	(89,359)	(121,222)
Tax effect	17,863	15,952
Valuation difference on available-for-sale securities	(71,496)	(105,270)
Deferred gains or losses on hedges :		
Amount incurred during the year	34,478	12,684
Reclassification adjustments	-	-
Before-tax effect adjustments	34,478	12,684
Tax effect	(10,550)	(3,881)
Deferred gains or losses on hedges	23,928	8,803
Foreign currency translation adjustment :		
Amount incurred during the year	(7,250)	(939)
Total other comprehensive income	(54,819)	(97,406)

## Notes to Consolidated Statements of Changes in Equity

FY 3/19 (April 1, 2018 – March 31, 2019)

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

(Shares)

Type of 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) Dividends payment

Resolution	Type of shares	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 shares	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

FY 3/20 (April 1, 2019 – March 31, 2020)

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

(Shares)

Type of shares	Number of shares as of Apr. 1, 2019	Increase	Decrease	Number of shares as of Mar. 31, 2020
Outstanding shares				
Common shares	33,209,080	1,561,104	-	34,770,184
Treasury shares				
Common shares (Note)	343	119,000	-	119,343

NOTE: 1. The increase in issued shares of common stock is due to the common stock exchange in which SRS Holdings Co., Ltd. is the wholly-owning parent company in the share exchange and KAZOKUTEI Co., Ltd. is the wholly owned subsidiary and due to the common stock exchange in which SRS Holdings Co., Ltd. is the wholly-owning parent company in the share exchange and SUNROLLY Co., Ltd. is the wholly owned subsidiary.

2. The increase of 119,000 shares of common stock in treasury stock is due to a market purchase as a trust asset of the Officer's Share Benefit Trust. The number of shares at the end of the FY2020 under review includes our shares (shares at the beginning of the fiscal year under review and 119,000 shares at the end of the fiscal year under review) held by Japan Trustee Services Bank, Ltd. (trust account).

### 2. Share acquisition rights

Not applicable.

### 3. Dividends

#### (1) Dividend payment

Resolution	Type of shares	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

(2) Dividends for which the base date belongs to the current consolidated fiscal year and for which the effective date of distribution falls in the following consolidated fiscal year

Not applicable

#### Notes to Consolidated Statements 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)

	FY 3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 - Mar. 31, 2020)
Cash and deposits	9,339,721	8,877,696
Cash and cash equivalents	9,339,721	8,877,696

##### \*2. Main breakdown of assets and liabilities of the company that became a new consolidated subsidiary through a share exchange

(1) The breakdown of assets and liabilities at the time of the start of consolidation due to the newly consolidation of KAZOKUTEI Co., Ltd. as a result of a stock exchange and the relationship with the amount of subsidiary fund received by the stock exchange are as follows.

(Thousands of yen)

Current assets	641,739
Non-current assets asset	3,913,981
Goodwill	1,065,156
Current liabilities	(1,527,033)
Non-current liabilities	<u>(2,685,033)</u>
Acquisition cost	1,408,810
Cash and cash equivalents of newly consolidated subsidiaries	(82,719)
Loans to such companies performed between the acquisition date and the deemed acquisition date	2,167,361
Our issue price as a result of the share exchanges	<u>(1,408,810)</u>
Deduction: Net payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	2,084,642

(2) The breakdown of assets and liabilities at the time of consolidation accompanying the consolidation SUNROLLY Co., Ltd. as a result of the share exchange, and the relationship with the amount of funds received by the subsidiary through the share exchange, are as follows.

(Thousands of yen)

Current assets	150,020
Non-current assets asset	346,857
Amount of negative goodwill	(24,134)
Current liabilities	(229,244)
Non-current liabilities	<u>(242,632)</u>
Acquisition cost	866
Cash and cash equivalents of newly consolidated subsidiaries	38,486
Loans from such companies performed between the acquisition date and the deemed acquisition date	11,583
Our issue price as a result of the share exchanges	<u>(866)</u>
Deduction: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5,069

\*3. Material non-cash transactions

(1) Assets and obligations applicable to finance lease transactions

(Thousands of yen)

	FY 3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 - Mar. 31, 2020)
Assets and obligations applicable to finance lease transactions	130,339	63,338

(2) Increase in capital surplus due to share exchange

	FY 3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 - Mar. 31, 2020)
Increase in capital surplus due to share exchange	-	1,409,676



## Business Combinations, etc.

(Business Combination through Simplified Share Exchange)

Effective February 1st, 2020, we conducted a share exchange in which we became the wholly-owned parent company and KAZOKUTEI Co., Ltd. ("KAZOKUTEI") as the wholly-owned subsidiary of the share exchange, and a share exchange in which we became the wholly-owned subsidiary of the share exchange and SUNROLLY Co., Ltd. ("SUNROLLY") as the wholly-owned subsidiary of the share exchange ("Share Exchange").

### 1. The outline of the Business Combination

#### (1) Name of the acquired company and the content of its business

Name of the acquired company	KAZOKUTEI	SUNROLLY
Description of business	Business of restaurants and sales of foodstuffs, etc.	Business of restaurants and sales of foodstuffs, etc.

#### (2) Major reasons for the business combination

We are a food service corporate group that operates 455 stores (as of February 1st, 2020), mainly in the Kansai region, including Washoku Sato, Tendon Tempura Honpo Santen, Nigiri Chojiro, and Meshiya Miyamoto Munashi and so on. In May 2018, we announced our "Project MIRAI" medium-term management plan. We will accelerate organic growth by further improving the profitability of existing formats, opening new stores, and constructing a store system that looks ahead to the future. At the same time, we aim to achieve net sales of 100 billion in fiscal 2022 through M&A in the restaurant business, mainly in western Japan.

Kazokutei operates 168 restaurants (as of February 1st, 2020) primarily consisting of soba and udon restaurants. SUNROLLY operates 62 restaurants (as of February 1st, 2020), primarily directly managed and franchised restaurants in the Kansai region. Through this stock swap, the Company aims to further expand its presence and retain customers in areas where the Group excels, particularly in the Kansai region, and to reduce raw material costs, logistics costs, and promotional costs through volume merits. We also aims to expand its portfolio from a suburban business model to an urban business model and acquire expertise to strengthen the opening of shopping centers in existing formats.

#### (3) Date of business combination

February 1, 2020 (deemed acquisition date: March 31, 2020)

#### (4) Legal form of business combination

Share exchange

#### (5) Name following business combination

No change.

#### (6) Percentage of voting rights acquired

100%

#### (7) Major reasons for deciding the acquirer

We obtained 100% of the voting rights of KAZOKUTEI and SUNROLLY through this stock exchange, and each company became a full subsidiary.

### 2. Period of business results of the acquired company included in the consolidated financial statements

The business results of the acquired company are not included in the consolidated fiscal year under review because the deemed acquisition date is March 31, 2020.

3. Acquisition cost of the acquired company and breakdown by type of consideration

(Thousands of yen)

Name of the acquired company	KAZOKUTEI	SUNROLLY
Consideration for acquisition	Our common stock 1,408,810	Our common stock 866
Acquisition cost	1,408,810	866

4. Exchange Ratio by Type of Shares, Calculation Method, and Number of Shares Delivered

(1) Exchange ratio by class of shares

One share of common stock of the company: 0.2219 of our common stock

One share of SUNROLLY common stock: 0.0024 shares of our common stock

(2) Method of calculation of share exchange ratio

We referred to the results of the calculation of the share value by Duff & Phelps Co., Ltd., a third-party organization independent from KAZOKUTEI and SUNROLLY, and based on the advice of Mercury General, a legal advisor, and the results of the due diligence we conducted on KAZOKUTEI and SUNROLLY, after careful discussion and consideration, we have determined that it is appropriate to execute this share exchange using the Share Exchange Ratio.

(3) Number of shares delivered

1,561,104 shares

5. Details and amount of major acquisition-related costs (Thousands of yen)

Advisory expenses, etc. 68,779

6. Amount and causes of negative goodwill arising, and the amount of goodwill arising, factors causing goodwill and amortization period

(Thousands of yen)

Acquired Enterprise	KAZOKUTEI	SUNROLLY
Negative goodwill arising	-	24,134
Amount of goodwill arising	1,065,156	-
Cause of occurrence	This is mainly attributable to the excess earning power expected from cost reductions resulting from volume merits and other factors in the development of Kazokutei business.	The net amount of assets received and liabilities received exceeded the acquisition cost.
Method and term to amortize goodwill	Straight-line method over 15 years	-

\* At the end of the consolidated fiscal year under review, the identification of identifiable assets and liabilities and the calculation of fair value at the date of the business combination have not been completed, and the allocation of acquisition costs has not been completed. Therefore, the provisional accounting treatment is conducted based on reasonable information available at the time of the business combination.

7. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

(Thousands of yen)

Acquired Enterprise	KAZOKUTEI	SUNROLLY
Current assets	641,739	150,020
Non-current assets asset	<u>3,913,981</u>	<u>346,857</u>
Total assets	<u>4,555,720</u>	<u>496,877</u>
Current liabilities	1,527,033	229,244
Non-current liabilities	<u>2,685,033</u>	<u>242,632</u>
Total liabilities	<u>4,212,067</u>	<u>471,876</u>

8. Approximate amount and calculation method of the impact on the consolidated statement of income for the current fiscal year assuming that the business combination has been completed on the first day of the current fiscal year

(Thousands of yen)

Acquired Enterprise	KAZOKUTEI	SUNROLLY
Sale	8,464,968	2,480,909
Operating profit	(190,770)	(106,390)

(Calculation Method of Estimated Amounts and Important Assumptions)

The estimated amount is calculated by adding or subtracting the amount of amortization of goodwill from the amount of goodwill recognized at the beginning of the fiscal year under review to the net sales and profit and loss information for the period from April 1, 2019 to March 31, 2020, assuming that the goodwill recognized at the time of the business combination occurred at the beginning of the fiscal year under review.

The notes have not been audited.

## **Segment and Other Information**

### **Segment information**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) and FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

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

### **Related information**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) and FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

#### 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**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) and FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

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**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) and FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

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**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) and FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

## Per-share information

(Yen)

	FY 3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 - Mar. 31, 2020)
Net assets per share	425.83	365.01
Net income( loss )per share	8.51	(74.37)

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

2. The Company's shares held by Japan Trustee Services Bank, Ltd. (Trust Account) as trust assets of the Officer's Share Benefit Trust are included in treasury shares, which are deducted from the total number of outstanding shares at the end of the fiscal year for the purpose of calculating net assets per share (119,000 shares for the previous fiscal year and the current fiscal year).

For calculation of net income per share or loss per share, treasury stock is included in treasury stock, which is deducted from the calculation of the average number of shares during the period (shares for the previous consolidated fiscal year- 119,000 shares for the current consolidated fiscal year).

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

	FY 3/19 (As of Mar. 31, 2019)	FY 3/20 (As of Mar. 31, 2020)
Total net assets (Thousands of yen)	14,277,528	12,802,060
Deduction on total net assets (Thousands of yen)	136,150	154,182
[of which non-controlling interests (Thousands of yen)]	(136,150)	(154,182)
Net assets applicable to common shares (Thousands of yen)	14,141,377	12,647,878
Number of common shares at end of period used in calculation of net assets per share (Shares)	33,208,737	34,650,841

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

	FY 3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY 3/20 (Apr. 1, 2019 - Mar. 31, 2020)
Profit attributable to owners of parent (Thousands of yen)	282,547	(2,486,802)
Amounts not available to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	282,547	(2,486,802)
Average number of shares outstanding during the period (Shares)	33,208,768	33,439,753