

## DISCLAIMER

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November 6, 2020

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2021  
(Six Months Ended September 30, 2020)**

[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  
Contact: Masahiro Tanaka, Director & Head of Administration Division Tel: +81-6-7222-3101  
Scheduled date of filing of Quarterly Report: November 10, 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 Second Quarter of the Fiscal Year Ending March 31, 2021  
(April 1, 2020 – September 30, 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	%
Six months ended Sep. 30, 2020	20,490	(8.9)	(2,902)	-	(2,817)	-	(3,067)	-
Six months ended Sep. 30, 2019	22,487	2.6	441	(13.5)	542	12.2	207	(4.0)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2020: (3,085) (-%)  
Six months ended Sep. 30, 2019: 153 (down41.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	(88.52)	-
Six months ended Sep. 30, 2019	6.26	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2020	31,295	9,716	30.5	275.82
As of Mar. 31, 2020	33,141	12,802	38.2	365.01

Reference: Shareholders' equity (million yen) As of Sep. 30, 2020: 9,557 As of Mar. 31, 2020: 12,647

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2021	-	0.00			
Fiscal year ending Mar. 31, 2021 (forecast)			-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: Yes

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

(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	45,000	0.8	(4,000)	-	(4,000)	-	(5,500)	-	(158.73)

Note: Revisions to the most recently announced earnings forecast: Yes

**\* 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, 2020: 34,770,184 shares

As of Mar. 31, 2020: 34,770,184 shares

2) Number of treasury shares at the end of period

As of Sep. 30, 2020: 119,343 shares

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

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020: 34,650,841 shares

Six months ended Jun. 30, 2019: 33,208,737 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 Results****(1) Explanation of Results of Operations**

## ① Consolidated Performance

(Millions of yen)

	First six months of FY 3/20 (Apr. 1, 2019 - Sep. 30, 2019)			First six months of FY 3/21 (Apr. 1, 2020 - Sep. 30, 2020)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net Sales	22,487	578	2.6	20,490	(1,997)	(8.9)
Operating profit	441	(69)	(13.5)	(2,902)	(3,343)	-
Ordinary profit	542	58	12.2	(2,817)	(3,360)	-
Profit attributable to owners of parent	207	(8)	(4.0)	(3,067)	(3,275)	-

In the first half of the fiscal year ending March 31, 2021, the consolidated financial results were not favorable due to the drop in demand for eating out due to the infection spread of the new coronavirus (COVID-19). After cancellation of the state of emergency, economic activity gradually resumed, and with the effects of economic stimulus measures such as "Go To campaign", consolidated financial results are gradually recovering. However, in urban areas, sales are still sluggish because of the large impact of the decline in demand due to the refraining from going out and events, the disappearance of inbound demand, working from home, and the penetration of home-based lessons. As a result, sales for the first half of the current consolidated cumulative period were lower than the previous year's results, despite the impact of increased sales due to M & A and new store openings. Gross profit margin decreased due to the impact of the decrease in sales, the increase in the sales composition ratio of take-out and delivery sales, and the increase in the sales composition ratio of all-you-can-eat shabu-shabu. As a result, incomes fell significantly below the previous fiscal year's results.

Under these circumstances, our Group continued to implement various measures to respond to the increase in takeout and delivery demand while ensuring the safety of employees and customers in order to realize our philosophy of "We contribute to society through food." At the same time, we focused efforts on reducing fixed costs by reducing delivery costs and rent, and creating group synergies in the purchasing of foodstuffs and fixtures. In addition, in order to get each business on a growth track as sales recover, we plan to resume investment in sales promotion measures to strengthen sales of eat-in products and to improve operational efficiency, while paying close attention to the impact of the re-expansion of the new coronavirus (COVID-19).

## ② Other Measures

At *Washoku Sato* restaurants, in order to respond to the increase in take-out and delivery demand, new products such as "beef sukiyaki-bento" and "yakniku-bento" were added, and special take-out campaigns were continued. We have expanded the number of stores that can handle delivery services and started experiment of accepting take-out orders from our website. In addition, aiming for an early recovery of eat-in sales, we carried out "summer discount campaign" and "autumn menu special discount campaign" as limited-time campaigns while giving maximum consideration to the safety of customers and employees. As an initiative to improve productivity, we have expanded the number of stores that have introduced an automatic ordering system.

At *Tendon Tempura Honpo Santen* restaurants, we continued a discount campaign limited to take-outs and responded to growing demand for take-out and delivery. At the same time, as initiatives to acquire new customers, we appealed the tempura of shrimp volume increase campaign and "high quality" using the first TVCM.

At *Nigiri Chojiro* restaurants, we sold red sea bream, which is characterized by a moderately greasy and slightly sweet taste, and pike conger which is the summer seasonal food, as "Chojiro 20th Anniversary Pre-Anniversary". We carried out a "lunch profitable campaign" that offers standard products on the lunch menu at a special price as a limited-time campaign. In addition, we have added a set product with hors d'oeuvre and hand-rolled sushi to the take-out menu so that you can enjoy the taste of Chojiro at home, and expanded the products for sale.

At *Kazokutei*, *Tokutoku* restaurants, in order to respond to the self-restraint of going out due to the corona disaster, as a measure to expand sales of take-out and delivery, "Katsudon, Tendon, Oyakodon 399 yen campaign" and expansion of stores that can handle delivery services aiming to acquire new customers and increase the frequency of visits by existing customers, we held a "Producing area support Kochi / Shikoku edition" fair in the *Kazokutei* restaurant. And we carried out and sold the higher volume menu in the *Tokutoku* restaurant as "Tokutokumorimori" fair. In addition, we continued sales promotion measures using LINE as a measure to fix a new customer base, and implemented efforts to create synergies by joining the Group.

At *Miyamoto Munashi* restaurants, we continued to sell 500 yen lunch on weekdays, expanded the grilled fish menu, and sold draft beer and beef sirloin at special prices for limited-term campaigns in order to acquire the number of customers. We also expanded our take-out products to enhance sales of take-out and delivery products.

At *Katsuya* restaurants, in addition to broadcasting TVCM as part of efforts to acquire new customers, we also sold limited-time products such as "Keichanyaki-chicken-cutlets" and "ginger grilled beef curries".

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

[SRS Group Restaurants]

Name	FY 3/20 (As of Mar. 31, 2020)	Newly opened restaurants	Closed restaurants	Second quarter of FY 3/21 (As of Sep. 30, 2020)
<i>Washoku Sato</i>	204 (-)	2 (-)	- (-)	206 (-)
<i>Tokutoku*</i>	79 (63)	- (-)	5 (3)	74 (60)
<i>Kazokutei*</i>	80 (9)	1 (-)	8 (-)	73 (9)
<i>Nigiri Chojiro*</i>	68 (-)	- (-)	2 (-)	66 (-)
<i>Tendon Tempura Honpo Santen</i>	43 (1)	1 (-)	- (-)	44 (1)
<i>Meshiya Miyamoto Munashi</i>	55 (4)	- (-)	11 (1)	44 (3)
<i>Katsuya</i>	38 (14)	1 (-)	- (-)	39 (14)
<i>Himawari*</i>	13 (-)	- (-)	4 (-)	9 (-)
Sushi delivery business*	11 (4)	- (-)	- (-)	11 (4)
SUNROLLY FC Business*	32 (-)	- (-)	10 (-)	22 (-)
Others	26 (-)	- (-)	5 (-)	21 (-)
Domestic total	649 (95)	5 (-)	45 (4)	609 (91)
Overseas stores	16 (9)	3 (3)	- (-)	19 (12)
Worldwide total	665 (104)	8 (3)	45 (4)	628 (103)

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

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

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

\* *Tokutoku* includes *Dondontei*.

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

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

## (2) Explanation of Financial Position

In the previous fiscal year, temporary accounting was applied for the business combination of us and KAZOKUTEI Co., Ltd., which was conducted on February 1, 2020, but it was fixed during the second quarter of the current fiscal year. As a result of the finalization of this provisional accounting treatment, significant revisions to the initial allocation of acquisition costs have

been reflected in the comparative information included in the quarterly consolidated financial statements for the second quarter of the current fiscal year. In comparing and analyzing with the end of the previous fiscal year, the amount after reflecting the revision of the initial allocation of the acquisition cost due to the finalization of the provisional accounting treatment is used.

Total assets at the end of the second quarter decreased 1,845 million yen from the end of the previous fiscal year to 31,295 million yen.

Current assets decreased 1,390 million yen from the end of the previous fiscal year to 10,482 million yen. This was mainly due to a decrease of 1,691 million yen in cash and deposits and an increase of 330 million yen in other current assets.

Non-current assets decreased 441 million yen to 20,615 million yen. This was primarily due to a decrease of 134 million yen guarantee deposits, a decrease of 93 million yen in buildings, net, and a decrease of 78 million yen in intangible assets and other.

Current liabilities decreased 850 million yen from the end of the previous fiscal year to 7,040 million yen. This was mainly due to a decrease in current liabilities and others of 694 million yen and a decrease in accounts payable of 262 million yen.

Non-current liabilities increased 2,090 million yen to 14,538 million yen. This was mainly due to an increase of 2,662 million yen in long-term loans payable and a decrease of 547 million yen in bonds payable.

Net assets were 9,716 million yen, a decrease of 3,085 million yen from the end of the previous fiscal year.

### **(3) Explanation of Cash Flows**

Cash and cash equivalents (hereinafter, "net cash") decreased 1,691 million yen from the end of the previous fiscal year to 7,185 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 3,240 million yen, compared with 767 million yen provided in the same period of the previous fiscal year. This was mainly due to loss before income taxes of 3,014 million yen, depreciation of 840 million yen and decrease in accrued consumption taxes of 480 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 785 million yen, compared with 1,301 million yen provided in the same period of the previous fiscal year. This was mainly due to payments of 726 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash acquired as a result of financing activities was 2,333 million yen, compared with 1,142 million yen used in the same period of the previous fiscal year. This was mainly due to income of long-term loans payable of 3,500 million yen and repayments of long-term loans payable of 553 million yen, redemption of bonds of 547 million yen.

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

Although the consolidated financial forecasts for the fiscal year ending March 2021 was undecided in the "Financial Results for the Fiscal Year Ending March 2020" announced on May 18, 2020 and in the "First Quarter Financial Results for the Fiscal Year Ending March 2021" announced on August 7, 2020, we have calculated the full-year consolidated earnings forecast for the fiscal year ending March 2021 based on the information and forecasts available at this time.

For details, please refer to the "Notice Regarding Revisions to Full-Year Consolidated Earnings Forecasts and Dividends from Retained Earnings (No Interim Dividend) and Revisions to Year-End Dividend Forecasts" announced on November 6, 2020.

**2. Quarterly Consolidated Financial Statements and Notes**

## (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY 3/20 (As of Mar. 31, 2020)	Second quarter of FY 3/21 (As of Sep. 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	8,877,696	7,185,868
Accounts receivable-trade	1,191,318	1,209,133
Merchandise	45,509	44,461
Raw materials and supplies	949,574	904,207
Current portion of long-term loans receivable	76,968	75,658
Other	737,651	1,068,124
Allowance for doubtful accounts	(5,168)	(4,716)
Total current assets	11,873,552	10,482,737
Non-current assets		
Property, plant and equipment		
Buildings, net	4,154,669	4,060,889
Land	4,270,075	4,270,075
Other, net	2,696,715	2,685,915
Total property, plant and equipment	11,121,461	11,016,879
Intangible assets		
Goodwill	1,404,976	1,338,413
Other	1,476,449	1,397,466
Total intangible assets	2,881,425	2,735,879
Investments and other assets		
Investment securities	486,482	478,199
Long-term loans receivable	854,008	849,529
Guarantee deposits	4,738,731	4,604,050
Deferred tax assets	629,398	652,149
Other	360,816	293,908
Allowance for doubtful accounts	(15,454)	(14,925)
Total investments and other assets	7,053,982	6,862,912
Total non-current assets	21,056,869	20,615,671
Deferred assets	210,909	197,495
<b>Total assets</b>	<b>33,141,330</b>	<b>31,295,905</b>

(Thousands of yen)

	FY 3/20 (As of Mar. 31, 2020)	Second quarter of FY 3/21 (As of Sep. 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,503,966	1,490,973
Current portion of bonds	1,095,000	1,095,000
Current portion of long-term loans payable	771,323	1,054,971
Accounts payable-other	2,308,386	2,046,203
Income taxes payable	252,740	93,477
Provision for bonuses	402,702	361,530
Provision for loss on store closing	-	35,447
Other	1,557,406	863,029
<b>Total current liabilities</b>	<b>7,891,526</b>	<b>7,040,633</b>
<b>Non-current liabilities</b>		
Bonds payable	7,050,000	6,502,500
Long-term loans payable	1,847,386	4,510,223
Deferred tax liabilities for land revaluation	82,947	82,947
Deferred tax liabilities	388,357	389,079
Provision for directors' retirement benefits	47,893	27,753
Provision for directors' stock benefits	850	5,610
Liability for retirement benefits	189,725	193,212
Asset retirement obligations	1,272,015	1,244,201
Other	1,568,567	1,582,957
<b>Total non-current liabilities</b>	<b>12,447,743</b>	<b>14,538,483</b>
<b>Total liabilities</b>	<b>20,339,270</b>	<b>21,579,116</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	8,532,856	8,532,856
Capital surplus	6,391,352	6,391,352
Retained earnings	(1,322,741)	(4,390,019)
Treasury shares	(120,009)	(120,009)
<b>Total shareholders' equity</b>	<b>13,481,457</b>	<b>10,414,179</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	84,925	81,061
Deferred gains or losses on hedges	32,731	12,778
Revaluation reserve for land	(962,306)	(962,306)
Foreign currency translation adjustment	11,070	11,845
<b>Total accumulated other comprehensive income</b>	<b>(833,578)</b>	<b>(856,620)</b>
<b>Non-controlling interests</b>	<b>154,182</b>	<b>159,230</b>
<b>Total net assets</b>	<b>12,802,060</b>	<b>9,716,788</b>
<b>Total liabilities and net assets</b>	<b>33,141,330</b>	<b>31,295,905</b>



## (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 FY 3/20 (Apr. 1, 2019-Sep. 30, 2019)	First six months of FY 3/21 (Apr. 1, 2020- Sep. 30, 2020)
Net Sales	22,487,074	20,490,027
Cost of sales	7,709,589	7,456,279
Gross profit	14,777,484	13,033,747
Selling, general and administrative expenses	14,336,439	※ 2 15,935,975
Operating profit (loss)	441,044	(2,902,227)
Non-operating income		
Interest income	5,771	8,324
Dividends income	128,365	9,145
House rent income	34,712	73,731
Foreign exchange gains	6,483	337
Subsidy income	-	※ 1 27,947
Employment adjustment subsidies	-	※ 2 73,774
Miscellaneous income	31,438	29,391
Total non-operating income	206,770	222,652
Non-operating expenses		
Interest expenses	50,749	61,691
Rent expenses on real estates	27,722	40,619
Miscellaneous loss	26,566	35,672
Total non-operating expenses	105,037	137,984
Ordinary profit (loss)	542,777	(2,817,558)
Extraordinary income		
Gain on sales of non-current assets	3,999	281
Gain on sales of investment securities	186	-
Gain on cancellation of leasehold contracts	153	-
Compensation income	4,118	-
Total extraordinary income	8,459	281
Extraordinary losses		
Loss on retirement of non-current assets	25,033	7,114
Impairment loss	13,290	94,108
Loss on cancellation of leasehold contracts	18,600	-
Loss on closing of stores	-	31,235
Provision for loss on store closings	-	35,447
Loss from the new coronavirus(COVID-19)	-	※ 3 29,012
Total extraordinary losses	56,924	196,918
Profit (loss) before income taxes	494,312	(3,014,195)
Income taxes-current	260,804	56,848
Income taxes-deferred	27,605	(8,813)
Total income taxes	288,410	48,034
Profit(loss)	205,901	(3,062,230)
Profit(loss) attributable to non-controlling interests	(2,013)	5,047
Profit (loss) attributable to owners of parent	207,915	(3,067,278)

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

(Thousands of yen)

	First six months of FY 3/20 (Apr. 1, 2019-Sep. 30, 2019)	First six months of FY 3/21 (April 1, 2020-Sep. 30, 2020)
Profit(loss)	205,901	(3,062,230)
Other comprehensive income		
Valuation difference on available-for-sale securities	(25,524)	(3,864)
Deferred gains or losses on hedges	(20,160)	(19,952)
Foreign currency translation adjustment	(6,941)	775
Total other comprehensive income	(52,627)	(23,042)
Comprehensive income	153,274	(3,085,272)
Comprehensive income attributable to owners of parent	155,288	(3,090,320)
Comprehensive income attributable to non-controlling interests	(2,013)	5,047

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY 3/20 (Apr. 1, 2019-Sep. 30, 2019)	First six months of FY 3/21 (Apr. 1, 2020-Sep. 30, 2020)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	494,312	(3,014,195)
Depreciation	783,261	840,867
Amortization of goodwill	86,030	66,562
Impairment loss	13,290	94,108
Increase(decrease) in liability for retirement benefits	-	3,486
Increase (decrease) in provision for directors' retirement benefits	-	(20,140)
Increase (decrease) in provision for loss on store closings	-	35,447
Increase (decrease) in provision for bonuses	(42,718)	(41,171)
Increase (decrease) in allowance for doubtful accounts	18,204	(981)
Interest and dividend income	(134,136)	(17,469)
Interest expenses	50,749	61,691
Gain or loss (gain) on sales of investment securities	(186)	-
Loss on retirement of non-current assets	25,033	7,114
Decrease (increase) in notes and accounts receivable-trade	(23,765)	(17,721)
Decrease(increase) in inventories	26,544	46,477
Increase (decrease) in notes and accounts payable-trade(	(154,369)	(13,178)
Increase (decrease) in accrued consumption taxes	(292,199)	(480,458)
Decrease (increase) in consumption taxes refund receivable	266,484	(77,284)
Increase (decrease) in accounts payable –other	(112,464)	(206,946)
Other, net	(22,500)	(206,614)
Subtotal	981,570	(2,940,406)
Interest and dividends income received	128,237	11,872
Interest expenses paid	(50,889)	(63,044)
Income taxes paid	(291,313)	(275,842)
Income taxes refund	-	27,321
<b>Cash flows from operating activities</b>	<b>767,605</b>	<b>(3,240,099)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,250,170)	(726,830)
Purchase of intangible assets	(12,622)	(63,621)
Payments for asset retirement obligations	(15,115)	(100,946)
Proceeds from sales of investment securities	1,889	-
Payments for guarantee deposits	(36,947)	(45,696)
Proceeds from collection of guarantee deposits	31,137	146,153
Payments for construction assistance fund receivables	(48,000)	(35,909)
Collections of construction assistance fund receivables	47,279	44,887
Other,net	(18,654)	(3,775)
<b>Cash flow from investing activities</b>	<b>(1,301,204)</b>	<b>(785,738)</b>
<b>Cash flow from financing activities</b>		
Proceeds from long-term loans payable	-	3,500,000
Repayments of long-term loans payable	(556,588)	(553,728)
Repayments of finance lease obligations	(44,481)	(65,586)
Redemption of bonds	(342,500)	(547,500)
Cash dividends paid	(199,252)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(1,142,822)</b>	<b>2,333,184</b>
Effect of exchange rate change on cash and cash equivalents	(2,160)	825
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,678,583)</b>	<b>(1,691,828)</b>
Cash and cash equivalents at beginning of period	9,339,721	8,877,696
<b>Cash and cash equivalents at end of period</b>	<b>7,661,138</b>	<b>7,185,868</b>

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

Not applicable.

**Additional Information**

Our company has made changes to the assumptions regarding the impact of the spread of the new coronavirus(COVID-19) described in the "Accounting Estimates Associated with the Expansion of the new coronavirus(COVID-19)" section of the additional information in the previous fiscal year's securities report.

In the previous fiscal year, it was difficult to predict the spread of the new corona infectious diseases and the timing of convergence. Accordingly, assuming that the impact of the new coronavirus (COVID-19) would continue until September 2020, based on information available as of the end of the previous fiscal year, we made accounting estimates such as determining whether it is necessary to recognize impairment losses on fixed assets and determining the recoverability of deferred tax assets.

Economic activities gradually resumed after the termination of the Emergency Situation Declaration and have been gradually recovering, partly due to the effects of economic stimulus measures such as "Go To campaign". However, the impact of the new coronavirus (COVID-19) continued at the end of the second quarter of the fiscal year under review, and it is difficult to accurately predict the timing of the future convergence. Accordingly, our company has revised the assumptions used in the accounting estimates stated in the securities report for the previous consolidated fiscal year, we have reviewed the assumptions that the effects of the new coronavirus (COVID-19) will continue during the current consolidated fiscal year, and made accounting estimates. The effect of this change on the consolidated financial statements for the second quarter of the current fiscal year is immaterial.

The timing of convergence for the new coronavirus (COVID-19) is uncertain, and if the impact is prolonged, it may affect the Group's financial position, operating results and cash flow conditions.

**Notes to Consolidated Statement of Income**

## ※1 Subsidy income

Current Second Quarter (From Apr. 1, 2020 - Sep. 30, 2020)

Benefits paid by the government and local governments in accordance with the impact of the new coronavirus (COVID-19) are recorded as non-operating income as subsidy income.

## ※2 Employment adjustment subsidies

Current Second Quarter (From Apr. 1, 2020 - Sep. 30, 2020)

Due to the impact of the new coronavirus(COVID-19), the special measures of the employment adjustment subsidy was applied to the leave allowance, etc. provided by shortening the business hours of the store and implementing temporary closure. Of the subsidy payment amount and estimated payment amount of 566,498 thousand yen, 492,723 thousand yen is deducted from the salary and allowance of selling, general and administrative expenses, and the excess amount and estimated excess amount of 73,774 thousand yen are recorded as non-operating income as an employment adjustment subsidy.

## ※3 Loss from the new coronavirus (COVID-19)

Current Second Quarter (From Apr. 1, 2020 - Sep. 30, 2020)

In response to the announcement of a state of emergency due to the new coronavirus (COVID-19), some stores of the Group have been temporarily closed. Fixed costs (depreciation and land rent) incurred during the holiday period are recorded as extraordinary losses as losses due to the new coronavirus (COVID-19).

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

## Segment Information

FY3/20 (Apr. 1, 2019 - Sep. 30, 2019) and FY3/21 (Apr.1, 2020 - Sep. 30, 2020)

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

**Business Combinations, etc.**

(Determination of provisional accounting treatment for business combinations)

A preliminary accounting process was carried out on February 1, 2020 for a business combination between us and a family company, Ltd. in the previous fiscal year, but it was finalized in the second quarter of the fiscal year under review.

With the finalization of this provisional accounting treatment, the comparative information contained in the quarterly consolidated financial statements for the second quarter of the current consolidated cumulative period reflects a significant review of the initial allocation of acquisition costs. As a result of the allocation of 637,000 thousand yen for intangible fixed assets and 220,083 thousand yen to deferred tax liabilities, the provisionally calculated amount of goodwill decreased by 416,916 thousand yen from 1,065,156 thousand yen to 648,239 thousand yen.

There have been no material adjustments to the initial allocation of the acquisition cost for the business combination between the Company and SUNROLLY Co., Ltd., that occurred on February 1, 2020.