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May 18, 2021

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021**[Japanese GAAP]**

Company name: SRS HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Securities code: 8163

URL: <https://srs-holdings.co.jp/>

Representative: Masahiko Shigesato, President & Chief Executive Officer

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Scheduled date of ordinary general meeting of shareholders: June 25, 2021

Scheduled date of payment of dividend: -

Scheduled date of filing of Securities Report: June 28, 2021

Preparation of supplementary references regarding financial results: No

Holding of financial results briefing: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)**(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, 2021	43,707	(2.1)	(3,802)	-	(2,067)	-	(4,067)	-
Fiscal year ended Mar. 31, 2020	44,643	0.3	186	(81.7)	246	(74.7)	(2,486)	-

Note: Comprehensive income (million yen)

Fiscal year ended Mar. 31, 2021: (3,911) (-%)

Fiscal year ended Mar. 31, 2020: (2,566) (-%)

	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, 2021	(116.47)	-	(36.3)	(6.4)	(8.7)
Fiscal year ended Mar. 31, 2020	(74.37)	-	(18.6)	0.8	0.4

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2021: -

Fiscal year ended Mar. 31, 2020: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	31,002	9,990	31.5	271.32
As of Mar. 31, 2020	33,141	12,802	38.2	365.01

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2021: 9,778

As of Mar. 31, 2020: 12,647

(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, 2021	(3,532)	882	3,202	9,431
Fiscal year ended Mar. 31, 2020	1,243	(4,461)	2,751	8,877

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, 2020	-	0.00	-	0.00	0.00	0	-	-
Fiscal year ended Mar. 31, 2021	-	0.00	-	0.00	0.00	0	-	-
Fiscal year ending Mar. 31, 2022 (forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	%
Full year	51,000	16.7	(1,100)	-	(1,200)	-	(1,700)	-

*** Notes**

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

New companies: -

Excluded companies: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Mar. 31, 2021: 36,158,884 shares

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

2) Number of treasury shares at the end of period

As of Mar. 31, 2021: 119,343 shares

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

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2021: 34,923,094 shares

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

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)**

(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, 2021	16,534	(10.3)	687	(22.4)	(331)	-	(2,591)	-
Fiscal year ended Mar. 31, 2020	18,436	1.3	885	30.0	816	28.1	(2,244)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2021	(74.20)	-
Fiscal year ended Mar. 31, 2020	(67.11)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	28,751	11,168	38.8	309.54
As of Mar. 31, 2020	29,063	12,549	43.2	362.18

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2021: 11,155

As of Mar. 31, 2020: 12,549

*** 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 of Results of Operations**(1) Results of Operations**

1) Consolidated performance

(Millions of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)			FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	44,643	130	0.3	43,707	(935)	(2.1)
Operating profit	186	(832)	(81.7)	(3,802)	(3,989)	-
Ordinary profit	246	(729)	(74.7)	(2,067)	(2,314)	-
Profit attributable to owners of parent	(2,486)	(2,769)	-	(4,067)	(1,580)	-

The fiscal year that ended in March 2021 was extremely challenging because the COVID-19 pandemic reduced the number of customers as people had to stay home for safety and many stores were required to shorten operating hours. After the end of the first state of emergency in May 2020, the Japanese economy briefly recovered in part due to the Go To Campaign and other economic stimulus measures. However, sales remained sluggish because of another state of emergency caused by an increase in COVID-19 cases and the continuing need to reduce operating hours. Although sales benefited from mergers and acquisitions as well as new restaurants, fiscal year sales decreased because of the impact of COVID-19. Earnings decreased because of the significant negative effect of the decline in sales and despite measures such as holding down new investments and reductions in personnel expenses, rent, utility expenses and other components of fixed costs.

The SRS Group continued to implement various measures to respond to the increase in takeout and delivery demand while ensuring the safety of employees and customers based on our philosophy of "we contribute to society through food." At the same time, we focused on lowering fixed costs by reducing delivery expenses, rent and other expenses and creating group synergies in the purchasing of food and fixtures. In addition, in order to get each business on a growth track, we plan to resume investment in sales promotion measures to strengthen sales of eat-in products and to improve operational efficiency. At the same time, we are paying close attention to the impact of the most recent wave of COVID-19 cases.

2) Opening and closure of restaurants

(Number of restaurants)

Name	FY3/20 (As of Mar. 31, 2020)	Newly opened restaurants	Closed restaurants	FY3/21 (As of Mar. 31, 2021)
<i>Washoku Sato</i>	204 (-)	4 (-)	2 (-)	206 (-)
<i>Tokutoku*</i>	79 (63)	- (-)	10 (8)	69 (55)
<i>Kazokutei*</i>	80 (9)	1 (-)	13 (1)	68 (8)
<i>Nigiri Chojiro*</i>	68 (-)	- (-)	3 (-)	65 (-)
<i>Tendon Tempura Honpo Santen</i>	43 (1)	1 (-)	- (-)	44 (1)
<i>Meshiya Miyamoto Munashi</i>	55 (4)	- (-)	14 (2)	41 (2)
<i>Katsuya</i>	38 (14)	1 (-)	- (-)	39 (14)
Sushi delivery business	11 (4)	- (-)	1 (-)	10 (4)
<i>Himawari*</i>	13 (-)	- (-)	4 (-)	9 (-)
SUNROLLY FC Business*	32 (-)	- (-)	13 (-)	19 (-)
<i>Others</i>	26 (-)	1 (-)	8 (-)	19 (-)
Domestic total	649 (95)	8 (-)	68 (11)	589 (84)
Overseas stores	16 (9)	6 (6)	2 (2)	20 (13)
Worldwide total	665 (104)	14 (6)	70 (13)	609 (97)

Note: Numbers in parentheses are franchised restaurants (domestic) and joint venture restaurants (overseas).

* *Nigiri Chojiro* includes *CHOJIRO* restaurants.

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

* *Tokutoku* includes *Tokutoku* and *Dondontei* restaurants.

* *Himawari* includes *Sabo-Himawari* restaurants.

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

3) Other measures

Washoku Sato restaurants responded to the increase in takeout and delivery demand by continuing to conduct a marketing campaign for takeout products and increasing the number of stores that offer delivery services. Furthermore, following the addition of the EPARK internet reservation service, all restaurants started accepting takeout orders received via the internet using the LINE POCKEO service. These measures and other actions increased the ability of *Washoku Sato* to provide takeout services that meet customers' needs. For a recovery in eat-in sales, *Washoku Sato* restaurants added Kobe beef menu items and offered for a limited time weekday discount on buffet meals. In addition, *Washoku Sato* focused on increasing the number of customers by launching an official *Washoku Sato* app for more convenience for customers and bringing them back to restaurants more often.

Tendon Tempura Honpo Santen restaurants conducted a Lifestyle Support Campaign that included a discount for tendon, one of the restaurant's most popular items, and the ability at all locations to use a smartphone to easily place takeout orders on the website. In June 2020, we opened the first new restaurant (the Yobitsugi Interchange restaurant in Nagoya) in about two years. In August 2020, the first TV commercials for the Santen restaurant category aired and there were other activities during the fiscal year to attract new customers.

To celebrate its 20th anniversary, *Nigiri Chojiro* restaurants launched menu items with seasonal ingredients, such as a high-quality kinki (a type of rockfish) with a very soft texture and hokkigai clams, which produce a delicious flavor the more they are chewed. There were also several limited time only campaigns, such as marukaburi sushi during the Setsubun period and a special menu for Hinamatsuri (Girls' Day). To meet the growing takeout and delivery demand, we increased the selection of takeout items to allow customers to enjoy the flavors of Chojiro at home and continued to conduct the Special Prices for Take Home Meals campaign.

Kazokutei, Tokutoku restaurants took actions aimed at increasing takeout and delivery sales in response to the need to stay home for safety during the COVID-19 crisis. Takeout items were sold at special prices and more restaurants started to offer delivering services. In addition, these restaurants concentrated on increasing the number of followers of the LINE official account in order to add regular customers in new customer segments. *Kazokutei* restaurants held regional product fairs, including fairs for the food of Kyushu and Niigata. Another initiative was a lifestyle support campaign featuring different monthly items sold at low prices, such as tentojidon (rice with shrimp/egg topping), gyutojidon (rice with beef/egg topping) and chicken tendon. Restaurants also distributed coupons for discounts valid only for takeout orders. *Tokutoku* restaurants held a Curry Fair featuring a 15% discount for curry udon, which is the core menu item. To meet takeout demand, *Tokutoku* restaurants continued to hold a campaign featuring a reduced price for katsudon.

Miyamoto Munashi restaurants continued to sell 500 yen lunches on weekdays to attract more customers and sold menu items with a large volume of food, such as a hamburger and cut steak meal and an extra large torikara (chicken) meal. We also enlarged the selection of takeout products to increase sales of takeout and delivery items.

To attract new customers, *Katsuya* restaurants used TV commercials and continued to sell limited time only menu items such as beef cutlets and barbecued beef on rice, chicken cutlet curry udon and a rice bowl combining tarekatsu (thin pork cutlet and sweet/spicy soy sauce) and deep-fried chicken (karaage). In addition, to meet the increasing demand for takeout and delivery, we expanded the number of stores eligible for delivery and sold Zenryoku 1kg Karaage at a special price as a takeout-only product.

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

(2) 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 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 consolidated financial statements for 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 current fiscal year decreased 2,138 million yen from the end of the previous fiscal

year to 31,002 million yen.

Current assets increased 2,669 million yen from the end of the previous fiscal year to 14,542 million yen. This was mainly due to increases of 1,877 million yen in accounts receivable-other and 553 million yen in cash and deposits.

Non-current assets decreased 4,781 million yen from the end of the previous fiscal year to 16,275 million yen. This was primarily due to decreases of 1,232 million yen in buildings and structures, net, 1,169 million yen in land and 863 million yen in intangible assets and other.

Current liabilities decreased 881 million yen from the end of the previous fiscal year to 7,009 million yen. This was mainly due to a decrease in current liabilities and others of 683 million yen, an increase of 246 million yen in current portion of long-term borrowings and a decrease in accounts payable of 231 million yen.

Non-current liabilities increased 1,555 million yen from the end of the previous fiscal year to 14,002 million yen. This was mainly due to an increase of 3,076 million yen in long-term borrowings and decreases of 1,015 million yen in bonds payable and 386 million yen in deferred tax liabilities.

Net assets were 9,990 million yen, a decrease of 2,812 million yen from the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) increased 553 million yen from the end of the previous fiscal year to 9,431 million yen.

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

(Cash flows from operating activities)

Net cash used in operating activities was 3,532 million yen, compared with 1,243 million yen provided in the previous fiscal year. This was mainly due to a loss before income taxes of 4,210 million yen, an impairment loss of 2,556 million yen, depreciation of 1,742 million yen and an increase in accounts receivable-other of 1,627 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities was 882 million yen, compared with 4,461 million yen used in the previous fiscal year. This was mainly due to proceeds from sales of property, plant and equipment of 1,824 million yen and payments of 1,020 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 3,202 million yen, compared with 2,751 million yen provided in the previous fiscal year. This was mainly due to proceeds from long-term borrowings of 4,500 million yen and repayments of long-term borrowings of 1,177 million yen.

(Reference) Trends in cash flow indicators

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Equity ratio (%)	45.1	45.8	48.3	38.2	31.5
Equity ratio based on market value (%)	89.0	103.2	112.3	94.4	99.9
Interest-bearing debt to cash flow ratio (years)	6.6	5.1	4.2	9.7	-
Interest coverage ratio (times)	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

Notes: 1. Market capitalization is calculated by the number of shares outstanding at the end of the period, excluding treasury shares.

2. Operating cash flows are the figures for operating cash flows in the consolidated statement of cash flows.

3. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest.

4. Interest-bearing debt to cash flow ratio and the interest coverage ratio for FY3/21 are not stated because operating cash flow was negative.

(4) Outlook

In the fiscal year ending in March 2022, restrictions on operating hours and other effects of the COVID-19 pandemic are expected to continue as uncertainty remains about when this crisis will end. As a result, the outlook is for a continuation of an unstable business climate in which sales may be negatively affected by the pandemic depending on upcoming events. We expect that progress with vaccinations will prevent an explosive increase in infections and that the SRS Group's sales will start to recover in the second half of the fiscal year.

Based on this outlook, we base our forecasts on the assumptions that, compared with the fiscal year that ended in March 2020, which was not affected by COVID-19, first and second half sales will be down about 20% and 10% respectively at urban restaurants and down about 10% and 5% at suburban locations. We forecast sales of 51,000 million yen, an operating loss of 1,100 million yen, an ordinary loss of 1,200 million yen and a loss attributable to owners of parent of 1,700 million yen.

We have established a new five-year medium-term business plan that has the central goals of quickly recovering from the effects of the COVID-19 pandemic and making existing businesses more profitable in market conditions both during the pandemic and after this crisis ends.

The new business plan has the following six components as well as the following sales and earnings targets for the plan's five-year period.

- 1) Make existing restaurants more profitable during and after the COVID-19 pandemic
- 2) Activities to reflect the increasing use of "smart" technologies in society
- 3) Target the demand for prepared meals that are taken home
- 4) Switch to marketing strategies that reflect the customers' viewpoints
- 5) Continue opening more restaurants
- 6) Contribute to creating a sustainable society and accomplishing the Sustainable Development Goals

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Net sales (Millions of yen)	51,000	58,000	62,000	68,000	74,000
Ordinary profit (Millions of yen)	(1,200)	1,100	1,600	2,200	3,000
Number of restaurants	630	650	690	740	800

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

Predicting when the COVID-19 pandemic will end is still impossible and the performance of the SRS Group is affected mainly by the decline in the number of customers at restaurants due to the refraining from going out, reduced hours or temporary closures of stores, the sharp decline in foreign tourists in Japan and other reasons. If these negative effects of the crisis continue for a long time or become even more serious, there may be an effect on the results of operations and financial position of the SRS Group.

(Financial measures)

SRS borrowed 4,500 million yen during the fiscal year that ended in March 2021 and sold stock acquisition rights on November 27, 2020. As of the end of March 2021, a total of 1,083 million yen had been procured. As of March 31, 2021, cash and cash equivalents totaled 9,431 million yen. In addition, there is a committed credit line totaling 4,500 million yen. As a result, we believe there is sufficient liquidity.

(5) Basic Policy for 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 rather than maintain a certain dividend payout ratio depending on business results.

However, there will be no year-end dividend for the fiscal year that ended in March 2021 because of the net loss. For the fiscal year ending in March 2022, there is no plan at this time to pay a dividend because of the outlook for a continuation of the negative effects of the COVID-19 pandemic on sales and earnings.

2. Corporate Group

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

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

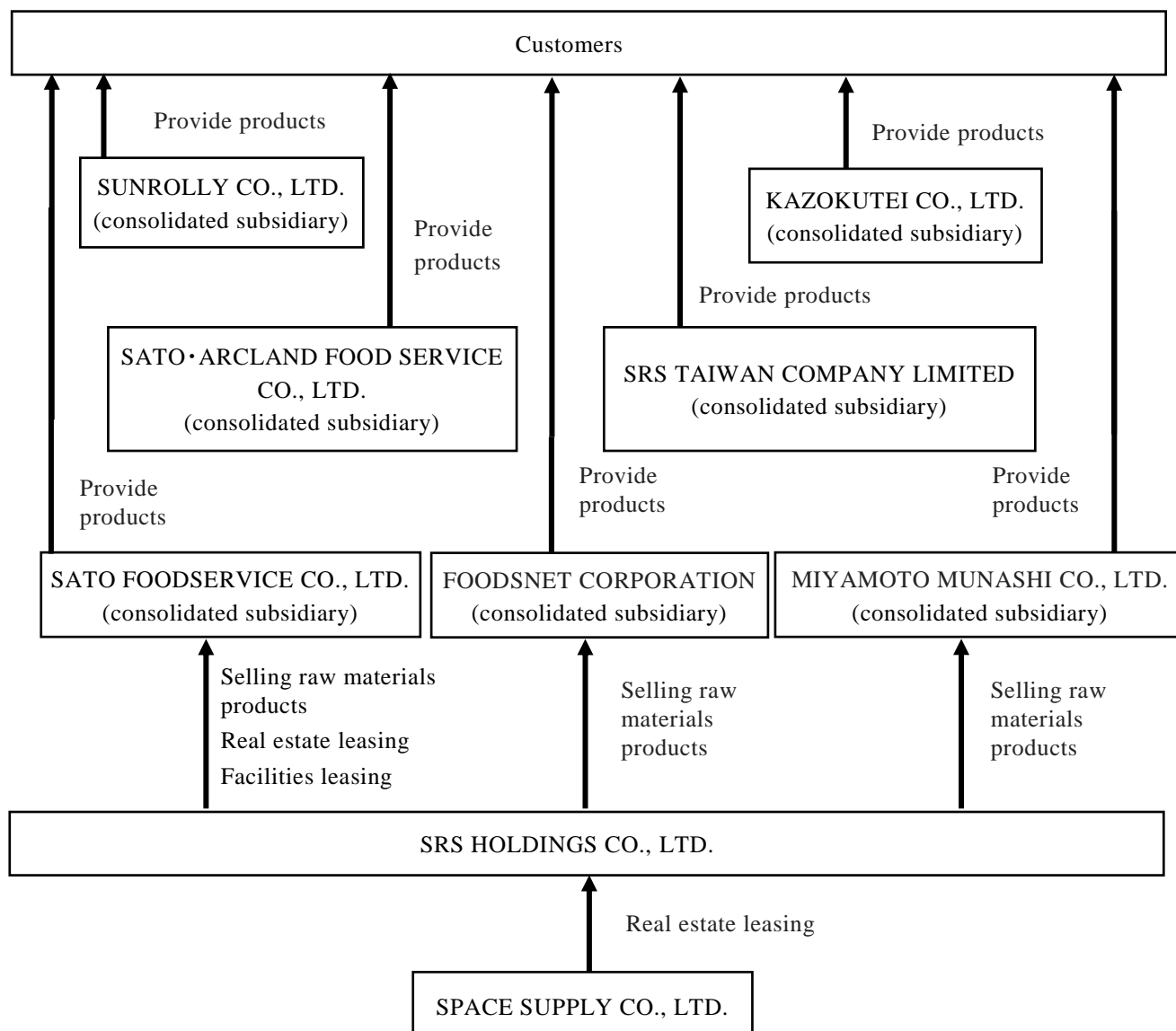
Our group's business content and relationship with the Company are described below with a systematic chart of the business.

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

Restaurant management: SATO FOODSERVICE CO., LTD., FOODSNET CORPORATION, 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.

Note: On April 1, 2021, MIYAMOTO MUNASHI CO., LTD. (surviving company in an absorption-type merger) and SUNROLLY CO., LTD. (dissolving company in an absorption-type merger) merged through an absorption-type merger. Trade name of the surviving company, MIYAMOTO MUNASHI, has been changed to M&S FOODSERVICE CO., LTD.

Others: SPACE SUPPLY CO., LTD. is primarily involved in the leasing of real estate.

(2) Systematic diagram of the business

3. Basic Approach to the Selection of Accounting Standards

The Group expects to employ Japanese accounting standards for the time being. However, we intend to consider the future adoption of International Financial Reporting Standards (IFRS) depending on the ratio of foreign shareholders and adoption trends among other companies in Japan.

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

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	8,877,696	9,431,344
Accounts receivable - trade	1,191,318	1,419,874
Merchandise	45,509	45,455
Raw materials and supplies	949,574	955,187
Current portion of long-term loans receivable	76,968	74,808
Accounts receivable - other	313,576	2,190,782
Other	424,075	428,784
Allowance for doubtful accounts	(5,168)	(3,519)
Total current assets	11,873,552	14,542,717
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,288,988	23,146,838
Accumulated depreciation	*3 (19,711,742)	*3 (19,802,111)
Buildings and structures, net	*2 4,577,245	*2 3,344,727
Machinery, equipment and vehicles	875,864	857,022
Accumulated depreciation	*3 (708,436)	*3 (727,713)
Machinery, equipment and vehicles, net	167,428	129,308
Land	*2,*4 4,270,075	*2,*4 3,100,507
Leased assets	2,186,647	1,951,971
Accumulated depreciation	*3 (1,514,329)	*3 (1,367,229)
Leased assets, net	672,317	584,741
Construction in progress	59,120	22,377
Other	6,062,147	6,066,311
Accumulated depreciation	*3 (4,686,874)	*3 (5,030,437)
Other, net	1,375,273	1,035,873
Total property, plant and equipment	11,121,461	8,217,537
Intangible assets		
Goodwill	1,404,976	666,827
Other	1,476,449	613,101
Total intangible assets	2,881,425	1,279,928
Investments and other assets		
Investment securities	*1,*2 486,482	*1,*2 577,686
Long-term loans receivable	854,008	812,627
Guarantee deposits	4,738,731	4,343,637
Deferred tax assets	629,398	771,140
Other	360,816	279,582
Allowance for doubtful accounts	(15,454)	(6,376)
Total investments and other assets	7,053,982	6,778,298
Total non-current assets	21,056,869	16,275,764
Deferred assets	210,909	184,155
Total assets	33,141,330	31,002,637

	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	1,503,966	1,443,250
Current portion of bonds payable	1,095,000	1,015,000
Current portion of long-term borrowings	*2 771,323	*2 1,018,012
Lease obligations	96,831	93,434
Accounts payable - other	2,308,386	2,077,275
Income taxes payable	252,740	228,048
Provision for bonuses	402,702	357,284
Other	1,460,575	777,493
Total current liabilities	7,891,526	7,009,799
Non-current liabilities		
Bonds payable	7,050,000	6,035,000
Long-term borrowings	*2 1,847,386	*2 4,923,900
Lease obligations	1,198,785	1,159,670
Deferred tax liabilities for land revaluation	*4 82,947	*4 82,947
Deferred tax liabilities	388,357	1,814
Provision for retirement benefits for directors (and other officers)	47,893	27,753
Provision for share awards for directors (and other officers)	850	10,170
Retirement benefit liability	189,725	202,536
Asset retirement obligations	1,272,015	1,247,423
Other	369,782	311,617
Total non-current liabilities	12,447,743	14,002,834
Total liabilities	20,339,270	21,012,633
Net assets		
Shareholders' equity		
Share capital	8,532,856	9,076,110
Capital surplus	6,391,352	6,934,606
Retained earnings	(1,322,741)	(5,390,248)
Treasury shares	(120,009)	(120,009)
Total shareholders' equity	13,481,457	10,500,458
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,925	175,359
Deferred gains or losses on hedges	32,731	52,755
Revaluation reserve for land	*4 (962,306)	*4 (962,306)
Foreign currency translation adjustment	11,070	11,857
Total accumulated other comprehensive income	(833,578)	(722,333)
Share acquisition rights	-	13,012
Non-controlling interests	154,182	198,866
Total net assets	12,802,060	9,990,004
Total liabilities and net assets	33,141,330	31,002,637

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

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	44,643,353	43,707,743
Cost of sales	15,521,822	15,540,206
Gross profit	29,121,531	28,167,537
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	207,290	205,060
Provision for share awards for directors (and other officers)	850	9,320
Salaries and allowances	13,739,504	*5 14,840,874
Employees' bonuses	275,548	308,754
Provision for bonuses	308,629	351,499
Welfare expenses	1,318,532	1,598,376
Retirement benefit expenses	156,277	184,141
Utilities expenses	1,614,246	1,801,204
Supplies expenses	1,221,637	1,425,987
Rent expenses	4,615,658	5,423,201
Repair expenses	468,558	531,236
Depreciation	1,700,695	1,711,404
Miscellaneous expenses	3,135,526	3,446,337
Amortization of goodwill	172,061	133,125
Total selling, general and administrative expenses	28,935,016	31,970,523
Operating profit (loss)	186,514	(3,802,986)
Non-operating income		
Interest income	11,142	13,379
Dividend income	137,490	18,370
Rental income from buildings	68,560	129,606
Foreign exchange gains	7,459	338
Subsidy income	-	*6 1,721,484
Subsidies for employment adjustment	-	*5 94,557
Miscellaneous income	56,090	85,766
Total non-operating income	280,742	2,063,503
Non-operating expenses		
Interest expenses	100,715	127,229
Rental expenses on real estate	49,015	76,020
Miscellaneous loss	70,773	124,657
Total non-operating expenses	220,503	327,907
Ordinary profit (loss)	246,753	(2,067,390)
Extraordinary income		
Gain on sale of non-current assets	*3 3,999	*3 502,179
Gain on sales of investment securities	186	-
Gain on bargain purchase	*4 24,134	-
Gain on cancellation of leasehold contracts	153	-
Compensation income	42,748	62,638
Total extraordinary income	71,223	564,817
Extraordinary losses		
Loss on retirement of non-current assets	*1 45,792	*1 19,773
Loss on cancellation of rental contracts	21,977	-
Impairment loss	*2 2,325,433	*2 2,556,421
Loss on store closings	-	102,965
Loss on COVID19	-	*7 29,012
Total extraordinary losses	2,393,203	2,708,172
Loss before income taxes	(2,075,226)	(4,210,745)
Income taxes - current	416,332	349,960
Income taxes - deferred	(22,787)	(537,884)
Total income taxes	393,544	(187,923)
Loss	(2,468,771)	(4,022,822)
Profit attributable to non-controlling interests	18,031	44,684
Loss attributable to owners of parent	(2,486,802)	(4,067,507)

(Consolidated Statement of Comprehensive Income)

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Loss	(2,468,771)	(4,022,822)
Other comprehensive income		
Valuation difference on available-for-sale securities	(105,270)	90,434
Deferred gains or losses on hedges	8,803	20,024
Foreign currency translation adjustment	(939)	786
Total other comprehensive income	* (97,406)	* 111,245
Comprehensive income	(2,566,177)	(3,911,577)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,584,209)	(3,956,261)
Comprehensive income attributable to non-controlling interests	18,031	44,684

(3) Consolidated Statement of Changes in Equity

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,532,856	4,981,675	1,363,313	(295)	14,877,549
Changes during period					
Issuance of new shares		1,409,676			1,409,676
Dividends of surplus			(199,252)		(199,252)
Loss attributable to owners of parent			(2,486,802)		(2,486,802)
Purchase of treasury shares				(119,714)	(119,714)
Net changes in items other than shareholders' equity					
Total changes during period	-	1,409,676	(2,686,055)	(119,714)	(1,396,092)
Balance at end of period	8,532,856	6,391,352	(1,322,741)	(120,009)	13,481,457

(Thousands of yen)

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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,532,856	6,391,352	(1,322,741)	(120,009)	13,481,457
Changes during period					
Issuance of new shares	543,254	543,254			1,086,508
Dividends of surplus					-
Loss attributable to owners of parent			(4,067,507)		(4,067,507)
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	543,254	543,254	(4,067,507)	-	(2,980,999)
Balance at end of period	9,076,110	6,934,606	(5,390,248)	(120,009)	10,500,458

(Thousands of yen)

	Accumulated other comprehensive income					Share acquisition rights	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 period	84,925	32,731	(962,306)	11,070	(833,578)	-	154,182	12,802,060
Changes during period								
Issuance of new shares								1,086,508
Dividends of surplus								-
Loss attributable to owners of parent								(4,067,507)
Purchase of treasury shares								-
Net changes in items other than shareholders' equity	90,434	20,024	-	786	111,245	13,012	44,684	168,942
Total changes during period	90,434	20,024	-	786	111,245	13,012	44,684	(2,812,056)
Balance at end of period	175,359	52,755	(962,306)	11,857	(722,333)	13,012	198,866	9,990,004

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Loss before income taxes	(2,075,226)	(4,210,745)
Depreciation	1,707,555	1,742,330
Amortization of goodwill	172,061	133,125
Impairment loss	2,325,433	2,556,421
Gain on bargain purchase	(24,134)	-
Increase (decrease) in provision for bonuses	(50,269)	(45,418)
Increase (decrease) in allowance for doubtful accounts	(2,674)	(10,727)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	(20,140)
Increase (decrease) in retirement benefit liability	-	12,811
Interest and dividend income	(148,632)	(31,749)
Interest expenses	100,715	127,229
Compensation income	(42,748)	(62,638)
Loss (gain) on sale of investment securities	(186)	-
Gain on sale of non-current assets	(3,999)	(502,179)
Loss on retirement of non-current assets	45,792	19,773
Decrease (increase) in trade receivables	(75,178)	(228,372)
Decrease (increase) in inventories	(127,030)	(5,422)
Decrease (increase) in accounts receivable - other	(33,015)	(1,627,044)
Increase (decrease) in trade payables	(237,589)	(61,092)
Increase (decrease) in accounts payable - other	(110,412)	(179,892)
Increase (decrease) in accrued consumption taxes	(45,665)	(408,146)
Decrease (increase) in consumption taxes refund receivable	266,484	(152,276)
Other, net	(59,583)	(69,659)
Subtotal	1,581,693	(3,023,816)
Interest and dividends received	137,098	21,131
Interest paid	(100,850)	(128,501)
Proceeds from compensation	68,161	15,932
Income taxes paid	(506,431)	(444,885)
Income taxes refund	64,303	27,339
Net cash provided by (used in) operating activities	1,243,974	(3,532,800)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,228,077)	(1,020,083)
Proceeds from sale of property, plant and equipment	4,000	1,824,814
Proceeds from sale of investment securities	1,889	-
Purchase of intangible assets	(247,096)	(124,855)
Payments for asset retirement obligations	(27,650)	(218,364)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (2,084,642)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 50,069	-
Payments of guarantee deposits	(76,887)	(81,100)
Proceeds from refund of guarantee deposits	69,589	435,588
Payments of construction assistance fund receivables	(49,007)	(35,909)
Proceeds from collection of construction assistance fund receivables	94,920	87,698
Other, net	31,456	15,035
Net cash provided by (used in) investing activities	(4,461,436)	882,823

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,500,000	-
Repayments of short-term borrowings	(1,500,000)	-
Proceeds from long-term borrowings	850,000	4,500,000
Repayments of long-term borrowings	(1,041,568)	(1,177,214)
Repayments of finance lease obligations	(86,213)	(114,768)
Proceeds from issuance of bonds	4,033,143	-
Redemption of bonds	(685,000)	(1,095,000)
Proceeds from issuance of share acquisition rights	-	9,764
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	1,079,611
Purchase of treasury shares	(119,714)	-
Dividends paid	(199,252)	-
Net cash provided by (used in) financing activities	2,751,395	3,202,392
Effect of exchange rate change on cash and cash equivalents	4,042	1,231
Net increase (decrease) in cash and cash equivalents	(462,024)	553,647
Cash and cash equivalents at beginning of period	9,339,721	8,877,696
Cash and cash equivalents at end of period	*1 8,877,696	*1 9,431,344

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Notes to Consolidated Balance Sheet

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

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
Investment securities (stocks)	50,000	50,000

*2. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
Buildings and structures	57,152	49,277
Land	2,804,319	2,804,319
Investment securities	189,410	278,099
Total	3,050,881	3,131,695
Liabilities with collateral		

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
Long-term borrowings (including current portion of long-term borrowings)	1,312,000	2,699,400

*3. Accumulated depreciation include accumulated impairment losses.

*4. Revaluation of Land

The Company revalued land used for business operations pursuant to the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 24, revised on March 31, 1999), and recorded “deferred tax liabilities for land revaluation” under liabilities and “revaluation reserve for land” under net assets.

- Method of revaluation: Land is revalued by using the method stipulated in “Basic Notice on Asset Valuations for Determining the Value of Land Used for Calculating Land Value Tax” as provided for in Article 16 of the Land Value Tax Act in accordance with Article 2, Item 4 of the Enforcement Regulations for the Act on Revaluation of Land (Ordinance No. 119, March 31, 1998).

- Date of revaluation: March 31, 2000

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
The difference between the market value of land and book value after revaluation	(1,153,313)	(1,106,748)

Notes to Consolidated Statement of Income

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

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Buildings and structures	21,038	15,611
Machinery, equipment and vehicles	772	344
Property, plant and equipment, others	10,000	3,618
Intangible assets	13,980	-
Investment and other assets	-	198
Total	45,792	19,773

*2. Impairment loss

FY3/20 (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	Buildings and structures Machinery, equipment and vehicles Leased assets Property, plant and equipment, others Intangible assets, others Investment and other assets	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 Motiguchi, Osaka Neyagawa, Osaka Izumisano, Osaka Osaka, Osaka Daito, Osaka Higashiosaka, Osaka Yao, Osaka Toyonaka, Osaka Hirakata, Osaka Kadoma, Osaka Ikeda, Osaka Takatsuki, Osaka Kashiba, Nara Nara, Nara Kitakatsuragi, Nara Katuragi, Nara Kako, Hyogo Kobe, Hyogo Amagasaki, Hyogo Himeji, Hyogo Akashi, Hyogo Kawanishi, Hyogo Okayama, Okayama (Overseas) New Taipei, Taiwan Taoyuan, Taiwan Taichung, Taiwan Taipei, Taiwan
Others	Goodwill Intangible assets, others	-

(2) Reason for decision to recognize impairment losses

In the stores, for asset groups for which profit and loss from operating activities are continuously negative or expected to be continuously negative, and for asset groups for which the decision was made to close stores, the total undiscounted future cash flow from the asset group fell below the book value. As a result, the book value was reduced to the recoverable amount (the higher of the net selling price or the value in use), and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

With respect to goodwill, intangible assets, and other assets that were generated at the time of the acquisition of shares in

consolidated subsidiary MIYAMOTO MUNASHI CO., LTD., the book value was reduced to the recoverable amount (the higher of the net selling price or the value in use), taking into account the financial position and future prospects of this consolidated subsidiary, and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

(3) Amount of impairment losses

(Thousands of yen)

Primary use	Class	Amount
Stores	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	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 of the asset group is calculated based on the higher of the net selling price or the value in use, and the value in use is calculated by discounting the future cash flows by 5.1% to 9.6%.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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	Buildings and structures Machinery, equipment and vehicles Leased assets Property, plant and equipment, others Intangible assets, others Investments and other assets, others	Chiyoda, Tokyo
		Koto, Tokyo
		Adachi, Tokyo
		Toshima, Tokyo
		Setagaya, Tokyo
		Katsushika, Tokyo
		Suginami, Tokyo
		Kiyose, Tokyo
		Tachikawa, Tokyo
		Machida, Tokyo
		Tama, Tokyo
		Higashikurume, Tokyo
		Musashimurayama, Tokyo
		Sapporo, Hokkaido
		Higashikanbara, Niigata
		Urayasu, Chiba
		Nagareyama, Chiba
		Narashino, Chiba
		Funabashi, Chiba
		Ichikawa, Chiba
		Matsudo, Chiba
		Chiba, Chiba
		Yachiyo, Chiba
		Asaka, Saitama
		Saitama, Saitama
		Kawagoe, Saitama
		Soka, Saitama
		Yashio, Saitama
		Hiki, Saitama
		Yokosuka, Kanagawa
		Yokohama, Kanagawa

Primary use	Class	Location
		Kawasaki, Kanagawa Sagamihara, Kanagawa Hiratsuka, Kanagawa Hamamatsu, Shizuoka Shizuoka, Shizuoka Yaizu, Shizuoka Gotenba, Shizuoka Gifu, Gifu Tokai, Aichi Nagoya, Aichi Anjo, Aichi Ichinomiya, Aichi Nishio, Aichi Nisshin, Aichi Tsu, Mie Mie, Mie Ritto, Shiga Kusatsu, Shiga Kyoto, Kyoto Kyotanabe, Kyoto Sagara, Kyoto Izumisano, Osaka Osaka, Osaka Takatsuki, Osaka Suita, Osaka Higashiosaka, Osaka Yao, Osaka Toyonaka, Osaka Minoo, Osaka Kawachinagano, Osaka Kishiwada, Osaka Sakai, Osaka Moriguchi, Osaka Matsubara, Osaka Izumiotsu, Osaka Osakasayama, Osaka Daito, Osaka Ikeda, Osaka Kadoma, Osaka Kitakatsuragi, Nara Sakurai, Nara Nara, Nara Yamatokoriyama, Nara Kashihara, Nara Wakayama, Wakayama Akashi, Hyogo Himeji, Hyogo Kakogawa, Hyogo Amagasaki, Hyogo Nishinomiya, Hyogo Kobe, Hyogo Okayama, Okayama Kurashiki, Okayama (Overseas) Taichung, Taiwan Miaoli, Taiwan
Assets for leased	Buildings and structures Land Intangible assets, others	Osaka, Osaka Nishinomiya, Hyogo
Others	Buildings and structures Property, plant and equipment, others Goodwill Intangible assets, others	Osaka, Osaka

(2) Reason for decision to recognize impairment losses

In the stores, for asset groups for which profit and loss from operating activities are continuously negative or expected to be continuously negative, and for asset groups for which the decision was made to close stores, the total undiscounted future cash

flow from the asset group fell below the book value. As a result, the book value was reduced to the recoverable amount (the higher of the net selling price or the value in use), and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

In the assets for leased, for asset groups for which profit and loss from leased properties are continuously negative or expected to be continuously negative, the total undiscounted future cash flow from the asset group fell below the book value. As a result, the book value was reduced to the recoverable amount (the higher of the net selling price or the value in use), and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

With respect to goodwill, intangible assets, and other assets that were generated at the time of the acquisition of shares in consolidated subsidiary KAZOKUTEI CO., LTD and intangible assets and other assets that were generated at the time of the acquisition of shares in MIYAMOTO MUNASHI CO., LTD., the book value was reduced to the recoverable amount (the higher of the net selling price or the value in use), taking into account the financial position and future prospects of these consolidated subsidiaries., and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

(3) Amount of impairment losses

(Thousands of yen)		
Primary use	Class	Amount
Stores, etc.	Buildings and structures	839,825
	Machinery, equipment and vehicles	19,170
	Leased assets	83,869
	Property, plant and equipment, others	204,388
	Intangible assets, others	5,430
	Investments and other assets, others	5,064
Assets for leased	Buildings and structures	28,625
	Land	7,046
	Intangible assets, others	75,049
Others	Buildings and structures	1,199
	Property, plant and equipment, others	19
	Goodwill	605,023
	Intangible assets, others	681,708
	Total	2,556,421

(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 of the asset group is calculated based on the higher of the net selling price or the value in use, and the value in use is calculated by discounting the future cash flows by 5.0% to 9.3%.

*3. Gain on sales of non-current assets

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Gain on sales of non-current assets is mainly due to sale of buildings and structures, and property, plant and equipment, others.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Gain on sales of non-current assets is mainly due to sale of buildings and structures, and land.

*4. Details of gain on bargain purchase are as follows.

(Thousands of yen)		
	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Gain on bargain purchase arising from the acquisition of shares of SUNROLLY Co., Ltd.	24,134	-

***5. Subsidies for employment adjustment**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Special measures for subsidies for employment adjustment were applied to the absence allowance paid due to the shortened operating hours and temporary closure of stores due to the effects of the COVID-19 pandemic. Accordingly, the Company deducted 797,695 thousand yen out of 892,253 thousand yen in subsidies paid or expected to be paid from salaries and allowances in selling, general and administrative expenses, and posted the excess amount or expected excess amount of 94,557 thousand yen as subsidies for employment adjustment in non-operating income.

***6. Subsidy income**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Due to the impact of COVID-19, the amount of benefits, etc. paid or expected to be paid by the government and various local governments is recorded as subsidy income under non-operating income.

***7. Loss on COVID19**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

Following the declaration of a state of emergency due to the COVID-19 pandemic, some of the Group's stores were temporarily closed. The fixed costs (depreciation and land rent) incurred during the period of closure have been recorded as loss on COVID19 under extraordinary losses.

Notes to Consolidated Statement of Comprehensive Income

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

		(Thousands of yen)
	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	(121,036)	91,204
Reclassification adjustments	(186)	-
Before tax effect adjustments	(121,222)	91,204
Tax effect	15,952	(769)
Valuation difference on available-for-sale securities	(105,270)	90,434
Deferred gains or losses on hedges:		
Amount incurred during the year	12,684	28,853
Reclassification adjustments	-	-
Before tax effect adjustments	12,684	28,853
Tax effect	(3,881)	(8,829)
Deferred gains or losses on hedges	8,803	20,024
Foreign currency translation adjustment:		
Amount incurred during the year	(939)	786
Total other comprehensive income	(97,406)	111,245

Notes to Consolidated Statement of Changes in Equity

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

1. Type and number of outstanding shares and treasury shares

				(Shares)
	Number of shares as of Apr. 1, 2019	Increase	Decrease	Number of shares as of Mar. 31, 2020
Outstanding shares				
Common shares (Note 1)	33,209,080	1,561,104	-	34,770,184
Treasury shares				
Common shares (Note 2)	343	119,000	-	119,343

Notes: 1. The increase in outstanding shares of common shares 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 common shares in treasury shares 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 FY3/20 includes our shares (- shares at the beginning of FY3/20 and 119,000 shares at the end of FY3/20) held by Custody Bank of Japan, Ltd. (trust account).

2. Share acquisition rights

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 10, 2019	Common shares	199,252	Retained earnings	6.00	Mar. 31, 2019	Jun. 28, 2019

(2) Dividends with a record date in FY3/20 but an effective date in FY3/21

Not applicable.

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

1. Type and number of outstanding shares and treasury shares

	Number of shares as of Apr. 1, 2020	Increase	Decrease	Number of shares as of Mar. 31, 2021
Outstanding shares				
Common shares (Note 1)	34,770,184	1,388,700	-	36,158,884
Treasury shares				
Common shares (Note 2)	119,343	-	-	119,343

Notes: 1. The increase in issued shares of common stock is due to exercise of share acquisition rights.

2. The number of common shares in treasury shares at the end of the FY3/21 includes our shares (119,000 shares at the beginning of FY3/21 and 119,000 shares at the end of FY3/21) held by Custody Bank of Japan, Ltd. (trust account).

2. Share acquisition rights

	Share acquisition rights (itemized)	Type of shares under share acquisition rights	Number of shares under share acquisition rights (shares)				Balance as of Mar. 31, 2021 (Thousands of yen)
			As of Apr. 1, 2020	Increase	Decrease	As of Mar. 31, 2021	
Reporting company (Parent company)	First series of stock acquisition rights with exercise price revision clause	Common shares	-	6,700,000	1,388,700	5,311,300	13,012
Total			-	6,700,000	1,388,700	5,311,300	13,012

Notes: 1. The number of shares to be issued upon exercise of stock acquisition rights is the number of shares assumed to have been issued upon exercise of such rights.

2. The increase in the 1st series of stock acquisition rights with exercise price revision clause was due to the issuance of stock acquisition rights.
3. The decrease in the 1st series of stock acquisition rights with exercise price revision clause was due to the exercise of stock acquisition rights.

3. Dividends

(1) Dividend payment

Not applicable.

(2) Dividends with a record date in FY3/21 but an effective date in FY3/22

Not applicable.

Notes to Consolidated Statement of Cash Flows

*1. Reconciliation of cash and cash equivalents at the end of the fiscal year and the balance sheet amount

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Cash and deposits	8,877,696	9,431,344
Cash and cash equivalents	8,877,696	9,431,344

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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	3,913,981
Goodwill	1,065,156
Current liabilities	(1,527,033)
Non-current liabilities	(2,685,033)
Acquisition cost	1,408,810
Cash and cash equivalents of newly consolidated subsidiaries	(82,719)
Loans from 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	(1,408,810)
Deduction: Purchase of shares of 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	346,857
Gain on bargain purchase	(24,134)
Current liabilities	(229,244)
Non-current liabilities	(242,632)
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	(866)
Deduction: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	50,069

3. Material non-cash transactions

(1) Assets and obligations applicable to finance lease transactions

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Assets and obligations applicable to finance lease transactions	63,338	67,852

(2) Increase in capital surplus due to share exchange

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Increase in capital surplus due to share exchange	1,409,676	-

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 KAZOKUTEI Co., Ltd. in the previous fiscal year, but it was finalized in the current fiscal year.

With the finalization of this provisional accounting treatment, the comparative information contained in the consolidated financial statements for the current fiscal year reflects a significant review of the initial allocation of acquisition costs. As a result of the allocation of 637,000 thousand yen for intangible 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.

Segment and Other Information**Segment information**

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020) and FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

Related information

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020) and FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020) and FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020) and FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020) and FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

Per-share Information

(Yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net assets per share	365.01	271.32
Net loss per share	(74.37)	(116.47)
Diluted net income per share	-	-

Notes: 1. Diluted net income per share in FY3/20 is not presented since the Company has no outstanding dilutive securities.

Diluted net income per share in FY3/21 is not presented since the Company has outstanding dilutive securities, though posted a net loss.

2. The Company's shares held by Custody Bank of Japan, 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 119,000 shares for the current fiscal year). For calculation of net loss per share, treasury shares is included in treasury shares, which is deducted from the calculation of the average number of shares during the period (119,000 shares for the previous consolidated fiscal year and 119,000 shares for the current consolidated fiscal year).

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

	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
Total net assets (Thousands of yen)	12,802,060	9,990,004
Deduction on total net assets (Thousands of yen)	154,182	211,879
[of which share acquisition rights (Thousands of yen)]	[-]	[13,012]
[of which non-controlling interests (Thousands of yen)]	[154,182]	[198,866]
Net assets applicable to common shares (Thousands of yen)	12,647,878	9,778,124
Number of common shares at end of period used in calculation of net assets per share (Shares)	34,650,841	36,039,541

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

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net loss per share		
Loss attributable to owners of parent (Thousands of yen)	(2,486,802)	(4,067,507)
Amounts not available to common shareholders (Thousands of yen)	-	-
Loss attributable to owners of parent applicable to common shares (Thousands of yen)	(2,486,802)	(4,067,507)
Average number of shares outstanding during the period (Shares)	33,439,753	34,923,094
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Increase in number of common shares (Shares)	-	-
Description of the latent shares not included in the calculation of diluted net income per share due to their non-dilutive effect, and with significant changes from the end of the previous fiscal year	-	-

Subsequent Events

Not applicable.

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.