

## DISCLAIMER

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November 5, 2021

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2022  
(Six Months Ended September 30, 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 filing of Quarterly Report: November 12, 2021  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary references regarding quarterly results: No  
 Holding of quarterly results briefing: Yes

(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, 2022  
(April 1, 2021 - September 30, 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	%
Six months ended Sep. 30, 2021	19,114	(6.7)	(2,588)	-	2,832	-	2,009	-
Six months ended Sep. 30, 2020	20,490	(8.9)	(2,902)	-	(2,817)	-	(3,067)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: 2,070 (-%)  
 Six months ended Sep. 30, 2020: (3,085) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	54.38	53.87
Six months ended Sep. 30, 2020	(88.52)	-

Note: SRS Holdings has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. The figures for the six months ended September 30, 2021 are after the application of this accounting standard.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	33,709	13,498	39.3
As of Mar. 31, 2021	31,002	9,990	31.5

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 13,242 As of Mar. 31, 2021: 9,778

Note: SRS Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. The figures as of September 30, 2021 are after the application of this accounting standard.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2022	-	0.00			
Fiscal year ending Mar. 31, 2022 (forecast)			-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

**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)	-

Note: Revisions to the most recently announced consolidated earnings forecasts: None

**\* Notes**

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

(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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please see “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 of the attachments for further information.

(4) Number of outstanding shares (common shares)

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

As of Sep. 30, 2021: 38,122,484 shares

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

2) Number of treasury shares at the end of period

As of Sep. 30, 2021: 119,343 shares

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

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021: 36,942,569 shares

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

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

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

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

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

## 1) Consolidated performance

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)			First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	20,490	(1,997)	(8.9)	19,114	(1,375)	(6.7)
Operating profit	(2,902)	(3,343)	-	(2,588)	313	-
Ordinary profit	(2,817)	(3,360)	-	2,832	5,650	-
Profit attributable to owners of parent	(3,067)	(3,275)	-	2,009	5,076	-

The business climate remained challenging during the first half of the current fiscal year because the impact of the COVID-19 pandemic has continued since last year. Restaurant business in Japan had to reduce operating hours and people limited outings to only necessary errands, resulting in a decline in the number of people visiting stores and restaurants. The SRS Group remains committed to accomplishing the goals of the new medium-term business plan by taking actions based on the plan's goals of achieving a rapid recovery from the impact of the pandemic and making current businesses more profitable. Furthermore, all activities are based on our philosophy of "contributing to society through food" along with measures to ensure the safety of our employees and customers during the pandemic. Major initiatives during the first half included measures for meeting the increasing takeout and delivery demand and continuous activities for reducing operating expenses. A number of activities during the first half were used to reflect changes in life styles caused by the pandemic. One initiative was the opening *Sumibiyaki Himono Teishoku Shinpachi Shokudo* (Hankyu Umeda Store), our first restaurant created by changing the format of a *Meshiya Miyamoto Munashi* restaurant, which is a format used primarily in urban locations. Another initiative was the opening of the first *Sato Marché* restaurant (*Kawachi-Kosaka* Store), which uses a new format targeting the market for prepared meals that are taken home. KAZOKUTEI Co., Ltd. started operating the Kinshuko Service Area of the Akita Expressway and the Shiwa Service Area of the Tohoku Expressway. Overall, the SRS Group is taking numerous actions that reflect market conditions during the pandemic and the outlook for the business climate after the pandemic ends.

Sales in the first half of the current fiscal year were lower than one year earlier because of reduced operating hours caused by declarations of states of emergency and by numerous measures for safety during the pandemic. Operating loss was improved by 313 million yen from one year earlier by lowering personnel, utility and other expenses. However, there was an operating loss in the first half because sales were far below the level prior to the pandemic. We posted an ordinary profit and profit attributable to owners of parent following the losses one year earlier because of the receipt of a pandemic cooperation payment and other pandemic-related payments totaling 5,397 million yen, which was classified as non-operating income.

## 2) Opening and closure of restaurants

(Number of restaurants)

Name	FY3/21 (As of Mar. 31, 2021)	Newly opened restaurants	Closed restaurants	Second quarter of FY3/22 (As of Sep. 30, 2021)	No. of restaurants planned to open during FY3/22
<i>Washoku Sato</i>	206 (-)	1 (-)	1 (-)	206 (-)	3
<i>Kazokutei*</i>	68 (8)	- (-)	1 (-)	67 (8)	0
<i>Nigiri Chojiro*</i>	65 (-)	1 (-)	- (-)	66 (-)	3
<i>Tokutoku</i>	68 (55)	- (-)	3(3)	65 (52)	1
<i>Tendon Tempura Honpo Santen</i>	44 (1)	- (-)	- (-)	44 (1)	1
<i>Meshiya Miyamoto Munashi</i>	41 (2)	- (-)	1 (-)	40 (2)	0
<i>Katsuya</i>	39 (14)	- (-)	- (-)	39 (14)	3
Sushi delivery business	10 (4)	- (-)	- (-)	10 (4)	0
<i>Himawari/Sabo-Himawari</i>	9 (-)	- (-)	- (-)	9 (-)	0
<i>Karayama</i>	4 (-)	2 (-)	- (-)	6 (-)	3
M&S FC Business*	19 (-)	1 (-)	1 (-)	19 (-)	0
Others	16 (-)	3 (-)	1 (-)	18 (-)	4
Domestic total	589 (84)	8 (-)	8 (3)	589 (81)	18
Overseas stores	20 (13)	1 (1)	1 (-)	20 (14)	9
Worldwide total	609 (97)	9 (1)	9 (3)	609 (95)	27

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

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

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

\* M&S FC Business is the total number of stores operated by M&S FOODSERVICE CO., LTD. in the *Popolamama*, *Mister Donut*, *Doutor Coffee*, *Oogamaya* and *Shinpachi Shokudo* restaurants.

## 3) Other measures

To recover quickly from the pandemic downturn, *Washoku Sato* restaurants conducted several limited time only campaigns to increase eat-in sales. Events included a Hakata Mentaiko Fair, featuring an original mentaiko (marinated cod roe) developed with a producer of mentaiko, and a Summer Special Price Campaign. To meet the growing demand for the delivery of food, these restaurants enlarged the lineup of takeout items and continued to increase the number of restaurants with a delivery service. For raising the frequency of customer visits, *Washoku Sato* is continuing to work on increasing the number of people registered on its official app. In addition, restaurants in the Kansai region are using Koshihikari rice grown in the Tanba area and selling this rice in stores to support rice growers during the pandemic.

*Tendon Tempura Honpo Santen* restaurants conducted a Summer Tendon (shrimp tempura rice bowl) Campaign with this popular menu item priced at only 390 yen. There was also a One Extra Shrimp Campaign and special menu items like Stamina Niku (Meat) Tendon and Teriyaki Tsukimi Tendon that target young people. All of these activities are aimed at bringing in new customers and giving customers reasons to visit these restaurants more often.

To celebrate its 20th anniversary, *Nigiri Chojiro* restaurants added menu items with seasonal ingredients, such as kinki (a type of rockfish) and Kinka iwashi (mackerel) from Miyagi prefecture. Restaurants also featured special weekend-only menu items using high-end ingredients like premium sea urchins and striped bonito. In addition to measures to bring customers back more often, *Nigiri Chojiro* restaurants continued marketing activities for takeout items to raise sales in this category. In another step to raise sales, the number of restaurants accepting internet orders was increased.

*Kazokutei*, *Tokutoku* restaurants continued to place priority on expanding the selection of takeout items and conducting limited time only campaigns as operating hours were reduced and people stayed home during the pandemic. To add new customer segments to the base of regular customers and bring customers in more often, these restaurants are continuing to concentrate on increasing the number of LINE official account registrations. *Kazokutei* restaurants held limited time only events: the Summer Big Shrimp Fair and the Shikoku Local Grower Support Fair. To increase takeout sales, restaurants started selling Shrimp Tentojidon (rice with a shrimp/egg topping) and Aki Shirasu Oroshi udon (udon noodles topped with fish and grated radish) together as a single menu item and enhanced the takeout menu in other ways. *Tokutoku* restaurants held a limited time only Stamina Fair and Tsukemen (dipping ramen) Fair. These restaurants also targeted the growing volume of takeout demand by adding a menu item that an entire family can enjoy: udon dishes with three types of bukkake udon (cold broth over chilled

udon noodles with a variety of toppings).

To attract new customers, *Meshiya Miyamoto Munashi* restaurants added a limited time only menu that included Pacific saury from Japan, deep-fried oysters from Hiroshima and other dishes. In addition, more menu items were added for the takeout and delivery categories and hours for selling these items were extended in order to raise takeout and delivery sales.

To attract new customers, *Katsuya* restaurants held special events for limited times that included the Tori Gaprao (a spicy Thai sauce) Chicken Katsu Fair and the Tartar Sauce Chicken Katsu and Karaage Fair. Another highlight of the first half was a Full Power Support Festival with four popular menu items discounted 150 yen for both eat-in and takeout orders.

## **(2) Explanation of Financial Position**

Total assets at the end of the second quarter of the current fiscal year increased 2,706 million yen from the end of the previous fiscal year to 33,709 million yen.

Current assets increased 2,153 million yen from the end of the previous fiscal year to 16,696 million yen. This was mainly due to increases of 1,649 million yen in accounts receivable-other and 940 million yen in cash and deposits.

Non-current assets increased 565 million yen from the end of the previous fiscal year to 16,841 million yen. This was primarily due to increases of 357 million yen in other, net under property, plant and equipment and 91 million yen in investment and other assets.

Current liabilities decreased 159 million yen from the end of the previous fiscal year to 6,849 million yen. This was mainly due to an increase of 584 million yen in income taxes payable and decreases of 333 million yen in accounts payable-trade, 127 million yen in current liabilities and others and 105 million yen in accounts payable-other.

Non-current liabilities decreased 641 million yen from the end of the previous fiscal year to 13,361 million yen. This was mainly due to decreases of 467 million yen in bonds payable and 456 million yen in long-term borrowings and an increase of 267 million yen in non-current liabilities and others.

Net assets were 13,498 million yen, an increase of 3,508 million yen from the end of the previous fiscal year.

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

Cash and cash equivalents (hereinafter, “net cash”) increased 940 million yen from the end of the previous fiscal year to 10,371 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 1,528 million yen, compared with 3,240 million yen used in the same period of the previous fiscal year. This was mainly due to a profit before income taxes of 2,793 million yen, an increase in accounts receivable-other of 2,043 million yen and depreciation of 643 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 906 million yen, compared with 785 million yen used in the same period of the previous fiscal year. This was mainly due to payments of 765 million yen for the purchase of property, plant and equipment and payments of guarantee deposits of 167 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 312 million yen, compared with 2,333 million yen provided in the same period of the previous fiscal year. This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of 1,472 million yen, repayments of long-term borrowings of 551 million yen and redemption of bonds of 547 million yen.

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

There are no revisions to the full-year consolidated earnings forecast that was announced on May 18, 2021 in the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021.

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

	(Thousands of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	9,431,344	10,371,463
Accounts receivable - trade	1,419,874	1,151,254
Merchandise	45,455	47,222
Raw materials and supplies	955,187	794,196
Current portion of long-term loans receivable	74,808	73,494
Accounts receivable - other	2,190,782	3,840,498
Other	428,784	419,834
Allowance for doubtful accounts	(3,519)	(1,749)
Total current assets	14,542,717	16,696,215
Non-current assets		
Property, plant and equipment		
Buildings, net	2,979,162	3,036,718
Land	3,100,507	3,099,407
Other, net	2,137,867	2,495,079
Total property, plant and equipment	8,217,537	8,631,205
Intangible assets		
Goodwill	666,827	621,872
Other	613,101	693,504
Total intangible assets	1,279,928	1,315,377
Investments and other assets		
Investment securities	577,686	604,716
Long-term loans receivable	812,627	793,122
Guarantee deposits	4,343,637	4,309,547
Deferred tax assets	771,140	822,631
Other	279,582	371,103
Allowance for doubtful accounts	(6,376)	(5,942)
Total investments and other assets	6,778,298	6,895,178
Total non-current assets	16,275,764	16,841,761
Deferred assets	184,155	171,248
Total assets	31,002,637	33,709,225

	(Thousands of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,443,250	1,110,165
Current portion of bonds payable	1,015,000	935,000
Current portion of long-term borrowings	1,018,012	923,028
Accounts payable - other	2,077,275	1,971,392
Income taxes payable	228,048	812,062
Provision for bonuses	357,284	355,142
Other	870,928	743,141
Total current liabilities	7,009,799	6,849,931
Non-current liabilities		
Bonds payable	6,035,000	5,567,500
Long-term borrowings	4,923,900	4,467,382
Deferred tax liabilities for land revaluation	82,947	82,947
Deferred tax liabilities	1,814	1,606
Provision for retirement benefits for directors (and other officers)	27,753	27,753
Provision for share awards for directors (and other officers)	10,170	14,860
Retirement benefit liability	202,536	205,339
Asset retirement obligations	1,247,423	1,254,690
Other	1,471,287	1,739,192
Total non-current liabilities	14,002,834	13,361,270
Total liabilities	21,012,633	20,211,202
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,076,110	9,818,192
Capital surplus	6,934,606	3,675,748
Retained earnings	(5,390,248)	579,802
Treasury shares	(120,009)	(120,009)
Total shareholders' equity	10,500,458	13,953,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	175,359	197,602
Deferred gains or losses on hedges	52,755	38,307
Revaluation reserve for land	(962,306)	(962,306)
Foreign currency translation adjustment	11,857	15,444
Total accumulated other comprehensive income	(722,333)	(710,951)
Share acquisition rights	13,012	8,201
Non-controlling interests	198,866	247,038
Total net assets	9,990,004	13,498,023
<b>Total liabilities and net assets</b>	<b>31,002,637</b>	<b>33,709,225</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 FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	20,490,027	19,114,890
Cost of sales	7,456,279	*2 6,723,823
Gross profit	13,033,747	12,391,067
Selling, general and administrative expenses	*2 15,935,975	*2 14,979,878
Operating loss	(2,902,227)	(2,588,811)
Non-operating income		
Interest income	8,324	4,760
Dividend income	9,145	9,325
Rental income from buildings	73,731	32,437
Foreign exchange gains	337	14,601
Subsidy income	*1 27,947	*1 5,396,851
Subsidies for employment adjustment	*2 73,774	*2 33,786
Miscellaneous income	29,391	65,744
Total non-operating income	222,652	5,557,508
Non-operating expenses		
Interest expenses	61,691	64,613
Rental expenses on real estate	40,619	28,700
Miscellaneous losses	35,672	42,454
Total non-operating expenses	137,984	135,768
Ordinary profit (loss)	(2,817,558)	2,832,928
Extraordinary income		
Gain on sale of non-current assets	281	2,278
Total extraordinary income	281	2,278
Extraordinary losses		
Loss on retirement of non-current assets	7,114	9,633
Impairment losses	94,108	27,233
Loss on store closings	31,235	274
Provision for loss on store closings	35,447	-
Loss on COVID-19	*3 29,012	*3 4,909
Total extraordinary losses	196,918	42,050
Profit (loss) before income taxes	(3,014,195)	2,793,156
Income taxes - current	56,848	779,110
Income taxes - deferred	(8,813)	(45,071)
Total income taxes	48,034	734,038
Profit (loss)	(3,062,230)	2,059,117
Profit attributable to non-controlling interests	5,047	50,005
Profit (loss) attributable to owners of parent	(3,067,278)	2,009,112

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

	(Thousands of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit (loss)	(3,062,230)	2,059,117
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,864)	22,242
Deferred gains or losses on hedges	(19,952)	(14,448)
Foreign currency translation adjustment	775	3,587
Total other comprehensive income	(23,042)	11,382
Comprehensive income	(3,085,272)	2,070,499
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,090,320)	2,020,494
Comprehensive income attributable to non-controlling interests	5,047	50,005

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(3,014,195)	2,793,156
Depreciation	840,867	643,464
Amortization of goodwill	66,562	44,954
Impairment losses	94,108	27,233
Increase (decrease) in retirement benefit liability	3,486	2,802
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(20,140)	-
Increase (decrease) in provision for loss on store closings	35,447	-
Increase (decrease) in provision for bonuses	(41,171)	(2,142)
Increase (decrease) in allowance for doubtful accounts	(981)	(2,204)
Interest and dividend income	(17,469)	(14,085)
Interest expenses	61,691	64,613
Gain on sale of non-current assets	-	(2,278)
Loss on retirement of non-current assets	7,114	9,633
Decrease (increase) in trade receivables	(17,721)	269,571
Decrease (increase) in inventories	46,477	159,898
Decrease (increase) in accounts receivable - other	(78,367)	(2,043,425)
Increase (decrease) in trade payables	(13,178)	(334,724)
Increase (decrease) in accrued consumption taxes	(480,458)	(159,004)
Decrease (increase) in consumption taxes refund receivable	(77,284)	274,144
Increase (decrease) in accounts payable - other	(206,946)	(122,274)
Other, net	(128,247)	55,696
<b>Subtotal</b>	<b>(2,940,406)</b>	<b>1,665,028</b>
Interest and dividends received	11,872	9,309
Interest paid	(63,044)	(64,649)
Proceeds from compensation	-	18,410
Income taxes paid	(275,842)	(206,743)
Income taxes refund	27,321	107,088
<b>Net cash provided by (used in) operating activities</b>	<b>(3,240,099)</b>	<b>1,528,444</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(726,830)	(765,199)
Proceeds from sale of property, plant and equipment	-	3,923
Purchase of intangible assets	(63,621)	(107,884)
Payments for asset retirement obligations	(100,946)	(33,890)
Payments of guarantee deposits	(45,696)	(167,916)
Proceeds from refund of guarantee deposits	146,153	103,466
Payments of construction assistance fund receivables	(35,909)	(9,500)
Proceeds from collection of construction assistance fund receivables	44,887	42,930
Other, net	(3,775)	27,429
<b>Net cash provided by (used in) investing activities</b>	<b>(785,738)</b>	<b>(906,640)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(553,728)	(551,699)
Repayments of finance lease obligations	(65,586)	(60,921)
Redemption of bonds	(547,500)	(547,500)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	1,472,502
<b>Net cash provided by (used in) financing activities</b>	<b>2,333,184</b>	<b>312,380</b>
Effect of exchange rate change on cash and cash equivalents	825	5,934
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,691,828)</b>	<b>940,119</b>
Cash and cash equivalents at beginning of period	8,877,696	9,431,344
<b>Cash and cash equivalents at end of period</b>	<b>7,185,868</b>	<b>10,371,463</b>

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

Not applicable.

**Changes in Accounting Policies****Application of the Accounting Standard for Revenue Recognition**

SRS Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. As a result, franchise payments, franchise renewal fees and other franchising revenues received by SRS Group companies that were recognized as sales when received are now recognized in equal installments over the entire length of each franchise contract. This change was made because these payments are received due to the fulfillment of contractual obligations during designated periods.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales, operating profit, ordinary profit and profit before income taxes increased 9,411 thousand yen each in the first half of the current fiscal year. In addition, the new standard reduced retained earnings at the beginning of the first half by 40,000 thousand yen.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation.

**Application of the Accounting Standard for Fair Value Measurement**

SRS Holdings has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard in the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

**Additional Information**

The impact of the COVID-19 pandemic on the economy continues to have a significant effect on the sales and earnings of the SRS Group.

Estimates used to determine the impairment of non-current assets, the ability to recover deferred tax assets and other items are calculated by using information that is available when the consolidated financial statements are prepared.

There are no significant changes in the assumptions concerning the effects of the pandemic on sales and earnings that are in the Securities Report for the fiscal year that ended in March 2021.

**Notes to Consolidated Statement of Income****\*1. Subsidy income**

Benefits, etc. paid or expected to be paid by the national government and various local governments due to the impact of the COVID-19 pandemic are recognized as subsidy income under non-operating income.

**\*2. Subsidies for employment adjustment**

First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

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 COVID-19 pandemic. Accordingly, 492,723 thousand yen of 566,498 thousand yen in subsidies received or expected to be received was deducted from salaries and allowances in selling, general and administrative expenses. The excess amount and expected excess amount of 73,774 thousand yen was classified as subsidies for employment adjustment in non-operating income.

First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 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, 554,962 thousand yen in subsidies received or expected to be received, 5,481 thousand yen was deducted from cost of sales and 515,693 thousand yen was deducted from salaries and allowances in selling, general and administrative expenses. The excess amount and expected excess amount of 33,786 thousand yen was classified as subsidies for employment adjustment in non-operating income.

**\*3. Loss on COVID-19**

Following the declaration of a state of emergency due to the COVID-19 pandemic, some of the SRS 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 COVID-19 under extraordinary losses.

**Significant Changes in Shareholders' Equity****I. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)****1. Dividend payment**

Not applicable.

**2. Significant changes in shareholders' equity**

Not applicable.

**II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)****1. Dividend payment**

Not applicable.

**2. Significant changes in shareholders' equity**

In the first six months of FY3/22, capital stock and capital surplus increased 742,082 thousand yen each due to the exercise of share acquisition rights.

On May 18, 2021, in accordance with Article 448, Paragraph 1 of the Companies Act, the capital reserve was reduced by 4,158,254 thousand yen and this amount was transferred to other capital surplus. Subsequently on the same day, in accordance with Article 452 of the Companies Act, other capital surplus was reduced by 4,000,939 thousand yen and this amount was transferred to retained earnings to offset the retained loss. These changes had no effect on total shareholders' equity.

### **Changes in Significant Subsidiaries during the Period**

Not applicable.

There are no changes involving specified subsidiaries. On April 1, 2021, consolidated subsidiary SUNROLLY CO., LTD. merged (an absorption-type merger) with MIYAMOTO MUNASHI CO., LTD. The surviving company was MIYAMOTO MUNASHI. SUNROLLY was dissolved following this merger and removed from the consolidated financial statements in the first quarter of the current fiscal year. In addition, following this merger, MIYAMOTO MUNASHI changed its name to M&S FOODSERVICE CO., LTD.

### **Segment and Other Information**

First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020) and first six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

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

*This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*