

## DISCLAIMER

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May 13, 2022

**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022****[Japanese GAAP]**

Company name: SRS HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange  
 Securities code: 8163 URL: <https://srs-holdings.co.jp/>  
 Representative: Masahiko Shigesato, President & Chief Executive Officer  
 Contact: Masahiro Tanaka, Director & Head of Administration Division Tel: +81-6-7222-3101  
 Scheduled date of ordinary general meeting of shareholders: June 29, 2022  
 Scheduled date of payment of dividend: June 30, 2022  
 Scheduled date of filing of Securities Report: June 30, 2022  
 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, 2022 (April 1, 2021 – March 31, 2022)****(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, 2022	42,885	(1.9)	(4,635)	-	2,669	-	1,574	-
Fiscal year ended Mar. 31, 2021	43,707	(2.1)	(3,802)	-	(2,067)	-	(4,067)	-

Note: Comprehensive income (million yen)

Fiscal year ended Mar. 31, 2022: 1,695 (-%)

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

	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, 2022	41.57	41.26	13.2	8.0	(10.8)
Fiscal year ended Mar. 31, 2021	(116.47)	-	(36.3)	(6.4)	(8.7)

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2022: -

Fiscal year ended Mar. 31, 2021: -

Note: SRS Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the current fiscal year. The figures for the fiscal year ended Mar. 31, 2022 are after the application of this accounting standard.

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	35,492	14,390	39.7	354.87
As of Mar. 31, 2021	31,002	9,990	31.5	271.32

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2022: 14,107

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 current fiscal year. The figures as of Mar. 31, 2022 are after the application of this accounting standard.

**(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, 2022	4,705	(1,861)	550	12,834
Fiscal year ended Mar. 31, 2021	(3,532)	882	3,202	9,431

**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, 2021	-	0.00	-	0.00	0.00	0	-	-
Fiscal year ended Mar. 31, 2022	-	0.00	-	5.00	5.00	199	12.0	1.6
Fiscal year ending Mar. 31, 2023 (forecast)	-	0.00	-	5.00	5.00		22.6	

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)**

(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	58,000	35.2	1,200	-	1,100	(58.8)	900	(42.8)

**Notes**

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

(2) 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 “4. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 16 of the attachments for further information.

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2022: 39,872,284 shares

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

2) Number of treasury shares at the end of period

As of Mar. 31, 2022: 119,343 shares

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

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2022: 37,881,710 shares

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

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)**

(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, 2022	16,282	(1.5)	820	19.4	732	-	528	-
Fiscal year ended Mar. 31, 2021	16,534	(10.3)	687	(22.4)	(331)	-	(2,591)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	13.95	13.85
Fiscal year ended Mar. 31, 2021	(74.20)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	32,053	14,478	45.2	364.11
As of Mar. 31, 2021	28,751	11,168	38.8	309.54

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2022: 14,474

As of Mar. 31, 2021: 11,155

\* 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)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)			FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	43,707	(935)	(2.1)	42,885	(822)	(1.9)
Operating profit	(3,802)	(3,989)	-	(4,635)	(832)	-
Ordinary profit	(2,067)	(2,314)	-	2,669	4,736	-
Profit attributable to owners of parent	(4,067)	(1,580)	-	1,574	5,642	-

Sales decreased and the operating loss increased in the fiscal year that ended in March 2022. The main reason was a continuation of the downturn in the number of customers because of reduced operating hours due to the prolonged pandemic and a downturn in consumer sentiment caused by the need to limit non-essential and non-urgent outings and the emergence of new COVID variants. Despite this challenging business climate, ordinary profit and profit attributable to owners of parent improved from the previous fiscal year's results and became profitable. This was due to the receipt of a pandemic cooperation money and other pandemic-related money totaling 7,264 million yen as non-operating income.

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 included measures for meeting the increasing takeout and delivery demand and continuous activities for reducing operating expenses. In addition, there were several activities to meet customers' needs as the pandemic alters their lifestyles. We opened *Nigiri Chojiro* restaurants that are combined with a *Takuhai Nigiri Chojiro*, which specializes in the home-delivery of sushi. We opened the first *Sato Marché* restaurant (Kawachi-Kosaka Store), which uses a new format targeting the market for prepared meals that are taken home. At *Meshiya Miyamoto Munashi* restaurants, where sales have decreased along with the drop in the number of foreign tourists, some locations were converted to *Sumibiyaki Himono Teishoku Shinpachi Shokudo* restaurants. At KAZOKUTEI Co., Ltd., the Expressway Business Department was established to increase the focus of this company on business opportunities at expressway service areas. During the fiscal year that ended in March 2022, four service areas were opened, raising the total to five locations throughout Japan. Overall, there were many actions at the SRS Group during the fiscal year that reflect market conditions during the pandemic and the outlook for the business climate after the pandemic ends.

## 2) Opening and closure of restaurants

(Number of restaurants)

Name	FY3/21 (As of Mar. 31, 2021)	Newly opened restaurants	Closed restaurants	FY3/22 (As of Mar. 31, 2022)	Restaurants planned to open during FY3/22
<i>Washoku Sato</i>	206 (-)	2 (-)	1 (-)	207 (-)	3
<i>Kazokutei*</i>	68 (8)	1 (-)	2 (-)	67 (8)	0
<i>Nigiri Chojiro*</i>	65 (-)	2 (-)	1 (-)	66 (-)	3
<i>Tokutoku</i>	68 (55)	- (-)	5 (5)	63 (50)	1
<i>Tendon Tempura Honpo Santen</i>	44 (1)	- (-)	- (-)	44 (1)	1
<i>Katsuya</i>	39 (14)	2 (-)	- (-)	41 (14)	3
<i>Meshiya Miyamoto Munashi</i>	41 (2)	- (-)	3 (-)	38 (2)	0
Sushi delivery business	10 (4)	1 (-)	- (-)	11 (4)	0
<i>Himawari/Sabo-Himawari</i>	9 (-)	- (-)	- (-)	9 (-)	0
<i>Karayama</i>	4 (-)	2 (-)	- (-)	6 (-)	3
M&S FC Business*	19 (-)	2 (-)	1 (-)	20 (-)	0
Others	16 (-)	5 (-)	3 (-)	18 (-)	4
Domestic total	589 (84)	17 (-)	16 (5)	590 (79)	18
Overseas stores	20 (13)	3 (3)	2 (-)	21 (16)	9
Worldwide total	609 (97)	20 (3)	18 (5)	611 (95)	27

Note: Numbers in parentheses include franchised, leased-band and joint venture restaurants.

\* *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.

\* Restaurant openings and closings include three locations that were converted to a different brand.

### 3) Other measures

To improve earnings following the pandemic downturn, *Washoku Sato* restaurants started promotional activities using TV commercials, internet ads, newspaper inserts and other media with the main goal of attracting young people and new customers. Promotions feature Nagisa Shibuya, a member of a well-known all-female idol group, as the “Washoku Sato Ambassador.” In a move to increase eat-in sales, *Washoku Sato* restaurants held several limited time only campaigns featuring menu items using local and seasonal ingredients. Two examples are the Hokkaido Fair and Soshun (“early spring) Fair. To meet the continuing increase in takeout and delivery demand, Washoku Sato stepped up activities that reflect customers’ needs, such as the half-price sale of takeout tendon (shrimp tempura rice bowl) for a limited time.

To give customers reasons to visit more often, *Tendon Tempura Honpo Santen* restaurants held a campaign using LINE (a popular social media app in Japan), a New Year Appreciation Fair, and a Santen Day! Customer Appreciation Fair. Restaurants also featured menu items incorporating seasonal ingredients such as Japanese smelt and sakura shrimp and menu items with meat miso and pork for young people. To attract new customers, these restaurants used TV commercials featuring a popular comedian.

To meet the increasing demand in the takeout and delivery categories, in “*Nigiri Chojiro*” restaurants, we changed the name of some “*Nigiri Chojiro*” restaurants exclusively for the delivery of sushi to “*Takuhai Nigiri Chojiro*”. The aim is to use the powerful *Nigiri Chojiro* brand for more growth in the meal delivery sector. Restaurants also sold Celebration Sushi Boxes during the New Year season, Fukujumaki, which has generous portions of herring roe, eel and other seafood and is sold during the Setsubun season (early February), and other special products for constantly promoting sales of takeout items. Raising takeout and delivery sales was the goal of all these activities. To celebrate its 20th anniversary, *Nigiri Chojiro* sold sushi with Kuruma Shrimp and thick scallops and a dessert item called Haru no Sosaku Dorayaki (special red bean filled pancakes) as part of measures for a recovery of eat-in sales.

To attract new customers, *Kazokutei*, *Tokutoku* restaurants continued to place priority on conducting limited time only campaigns. To add new customer segments to the base of regular customers and bring customers in more often, these restaurants continued to concentrate on increasing the number of LINE (a social media app) official account registrations.

*Kazokutei* restaurants sold Oyster Udon in a Pot, featuring oysters, a taste of winter, for a limited time and held a Echigo Niigata Melting Snow Blessing Fair that featured menu items with ingredients from Niigata prefecture. For increasing takeout sales, these restaurants used numerous measures to meet the rising demand in the takeout category, such as by selling a Shrimp Tendon and Sansai Udon Double Bento for customers looking for a menu item with large volume.

*Tokutoku* restaurants sold several winter-only menu items such as the popular Udon in a Pot and Udon with Crab Eggs and Ankake (thick sauce). During the limited time only Lifestyle Support Takeout Fair, these restaurants sold katsudon and a Katsudon Udon Double Bento at low prices and used other measures to increase takeout sales.

To attract new customers, *Meshiya Miyamoto Munashi* restaurants offered a number of menu items for a limited time, such as a Gyusukinabe Teishoku and Very Spicy Miso Korean Stew Teishoku. With the aim of raising the frequency of customer visits, these restaurants used LINE for the dissemination of information, distributed members-only discount coupons and conducted other promotional activities to attract more customers. Restaurants also held takeout and delivery campaigns throughout the fiscal year.

To attract new customers, *Katsuya* restaurants held a Demi Chicken Katsu Fair and a Roast Katsu and Pork Stamina Yakiniku Fair for the sale of limited time only menu items. There was also a Roast Katsu and Hirekatsu (Pork Fillet) Festival. Four popular menu items were sold at reduced prices for both eat-in and takeout orders.

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

**(2) Financial Position**

Total assets at the end of the current fiscal year increased 4,490 million yen from the end of the previous fiscal year to 35,492 million yen.

Current assets increased 3,322 million yen from the end of the previous fiscal year to 17,865 million yen. This was mainly due to an increase of 3,403 million yen in cash and deposits, a decrease of 335 million yen in accounts receivable-other and an increase of 304 million yen in accounts receivable-trade.

Non-current assets increased 1,192 million yen from the end of the previous fiscal year to 17,468 million yen. This was primarily due to increases of 377 million yen in deferred tax assets, 309 million yen in leased assets, net and 292 million yen in buildings and structures, net.

Current liabilities increased 1,566 million yen from the end of the previous fiscal year to 8,576 million yen. This was mainly due to increases of 514 million yen in income taxes payable, 422 million yen in accounts payable-other and 352 million yen in current liabilities and others.

Non-current liabilities decreased 1,476 million yen from the end of the previous fiscal year to 12,526 million yen. This was mainly due to decreases of 935 million yen in bonds payable and 913 million yen in long-term borrowings and an increase of 332 million yen in lease obligations.

Net assets were 14,390 million yen, an increase of 4,400 million yen from the end of the previous fiscal year.

**(3) Cash Flows**

Cash and cash equivalents (hereinafter, “net cash”) increased 3,403 million yen from the end of the previous fiscal year to 12,834 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 4,705 million yen, compared with 3,532 million yen used in the previous fiscal year. This was mainly due to a profit before income taxes of 2,188 million yen, depreciation of 1,471 million yen, impairment loss of 471 million yen and income taxes paid of 452 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,861 million yen, compared with 882 million yen provided in the previous fiscal year. This was mainly due to payments of 1,746 million yen for the purchase of property, plant and equipment, proceeds from collection of guarantee deposits of 249 million yen and payments of guarantee deposits of 181 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 550 million yen, compared with 3,202 million yen provided in the previous fiscal year. This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of 2,733 million yen, repayments of long-term borrowings of 1,018 million yen and redemption of bonds of 1,015 million yen.

(Reference) Trends in cash flow indicators

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Equity ratio (%)	45.8	48.3	38.2	31.5	39.7
Equity ratio based on market value (%)	103.2	112.3	94.4	99.9	90.4
Interest-bearing debt to cash flow ratio (years)	5.1	4.2	9.7	-	2.7
Interest coverage ratio (times)	15.5	19.3	12.4	-	36.6

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 2023, we expect the business climate to remain extremely difficult. There are still no signs of the end of the pandemic and the cost of food ingredients and energy is high because of the Ukraine crisis and weaker yen. During the next fiscal year, there will be many initiatives aimed at accomplishing the goals of the new medium-term business plan, which started in the fiscal year that ended in March 2022. Major goals are a rapid recovery from the impact of the pandemic and making current businesses more profitable based on market conditions while living with the pandemic and after the pandemic ends. The forecast for the fiscal year ending in March 2023 assumes that there will be no reductions in operating hours due to the pandemic. Based on information that is currently available and on the current business climate, we forecast sales of 58,000 million yen, operating profit of 1,200 million yen, ordinary profit of 1,100 million yen and profit attributable to owners of parent of 900 million yen.

##### Medium-term Business Plan

	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

##### FY3/22 Results and Forecast

	FY3/22 (Actual)	FY3/23 (Forecast for results of operations)
Net sales (Millions of yen)	42,885	58,000
Ordinary profit (Millions of yen)	2,669	1,100
Number of restaurants	611	637

##### (Financial measures)

Following the exercise of share acquisition rights, which was issued on November 27, 2020, a total of 2,746 million yen had been procured in FY3/22. As of March 31, 2022, cash and cash equivalents totaled 12,834 million yen. In addition, there is a committed credit line totaling 2,981 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. We use retained earnings for new restaurants, redecoration of existing restaurants and other activities aimed at strengthening our business operations. In accordance with these policies, we have taken steps for the purposes of improving our business processes and increasing financial soundness in order to become more profitable. Comprehensively taking into consideration future business prospects and retained earnings, we have determined that the dividend for the end of the period will be 5.00 yen per share. For the fiscal year ending in March 2023, we plan to pay a year-end dividend of 5.00 yen per share.

As specified under the Articles of Incorporation decided at the 43rd annual meeting of shareholders held on June 29, 2011, "Pursuant to Article 459, Paragraph 1 of the Companies Act of Japan, retained earnings can be directed toward dividend payment upon resolution of the board of directors."

The dividend from retained earnings for the current fiscal year is as follows:

Date of resolution	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)
Board of Directors meeting on May 13, 2022	199,359	5.00

## 2. Corporate Group

Our group is composed of the Company and its seven 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.

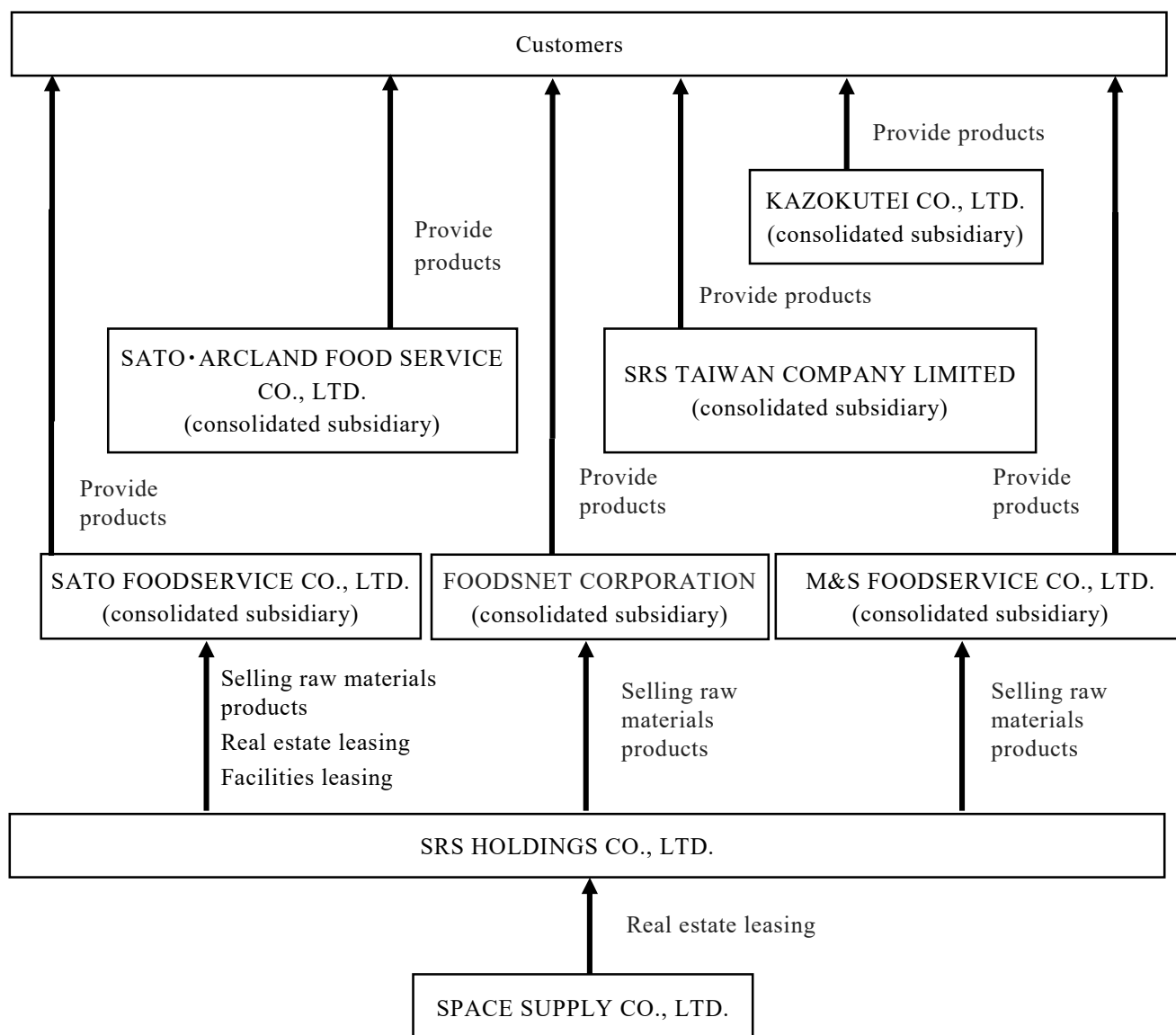
### (1) Our group's business content and relationship with the Company

Restaurant management: SATO FOODSERVICE CO., LTD., FOODSNET CORPORATION, KAZOKUTEI CO., LTD., M&S FOODSERVICE CO., LTD., SATO • ARCLAND FOOD SERVICE CO., LTD., and SRS TAIWAN COMPANY LIMITED operate restaurants that serve mainly Japanese food.

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

Note: On April 1, 2022, SRS Holdings (surviving company in an absorption-type merger) and SPACE SUPPLY CO., LTD. (dissolving company in an absorption-type merger) merged through an absorption-type merger.

### (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)	
	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	9,431,344	12,834,637
Accounts receivable - trade	1,419,874	1,724,620
Merchandise	45,455	63,026
Raw materials and supplies	955,187	807,469
Current portion of long-term loans receivable	74,808	72,785
Accounts receivable - other	2,190,782	1,855,168
Other	428,784	509,822
Allowance for doubtful accounts	(3,519)	(2,184)
Total current assets	14,542,717	17,865,346
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,146,838	23,569,967
Accumulated depreciation	*3 (19,802,111)	*3 (19,932,847)
Buildings and structures, net	*2 3,344,727	*2 3,637,120
Machinery, equipment and vehicles	857,022	889,202
Accumulated depreciation	*3 (727,713)	*3 (735,745)
Machinery, equipment and vehicles, net	129,308	153,457
Land	*2,*4 3,100,507	*2,*4 3,099,407
Leased assets	1,951,971	2,094,115
Accumulated depreciation	*3 (1,367,229)	*3 (1,199,720)
Leased assets, net	584,741	894,394
Construction in progress	22,377	31,815
Other	6,066,311	6,788,498
Accumulated depreciation	(5,030,437)	(5,523,726)
Other, net	1,035,873	1,264,772
Total property, plant and equipment	8,217,537	9,080,968
Intangible assets		
Goodwill	666,827	576,917
Other	613,101	658,749
Total intangible assets	1,279,928	1,235,667
Investments and other assets		
Investment securities	*1,*2 577,686	*1,*2 621,780
Long-term loans receivable	812,627	757,208
Guarantee deposits	4,343,637	4,322,291
Deferred tax assets	771,140	1,148,442
Other	279,582	307,099
Allowance for doubtful accounts	(6,376)	(4,923)
Total investments and other assets	6,778,298	7,151,899
Total non-current assets	16,275,764	17,468,535
Deferred assets	184,155	158,910
Total assets	31,002,637	35,492,792

	(Thousands of yen)	
	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,443,250	1,659,167
Current portion of bonds payable	1,015,000	935,000
Current portion of long-term borrowings	*2 1,018,012	*2 913,044
Lease liabilities	93,434	201,579
Accounts payable - other	2,077,275	2,499,651
Income taxes payable	228,048	742,630
Provision for bonuses	357,284	495,114
Other	777,493	1,130,103
Total current liabilities	7,009,799	8,576,292
Non-current liabilities		
Bonds payable	6,035,000	5,100,000
Long-term borrowings	*2 4,923,900	*2 4,010,856
Lease liabilities	1,159,670	1,492,253
Deferred tax liabilities for land revaluation	*4 82,947	*4 82,947
Deferred tax liabilities	1,814	-
Provision for retirement benefits for directors (and other officers)	27,753	27,753
Provision for share awards for directors (and other officers)	10,170	19,420
Retirement benefit liability	202,536	211,402
Asset retirement obligations	1,247,423	1,243,340
Other	311,617	338,121
Total non-current liabilities	14,002,834	12,526,094
Total liabilities	21,012,633	21,102,386
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,076,110	10,454,085
Capital surplus	6,934,606	4,311,642
Retained earnings	(5,390,248)	145,310
Treasury shares	(120,009)	(120,009)
Total shareholders' equity	10,500,458	14,791,028
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	175,359	213,260
Deferred gains or losses on hedges	52,755	49,524
Revaluation reserve for land	*4 (962,306)	*4 (962,306)
Foreign currency translation adjustment	11,857	15,793
Total accumulated other comprehensive income	(722,333)	(683,728)
Share acquisition rights	13,012	3,914
Non-controlling interests	198,866	279,191
Total net assets	9,990,004	14,390,406
<b>Total liabilities and net assets</b>	<b>31,002,637</b>	<b>35,492,792</b>

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

	(Thousands of yen)	
	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	43,707,743	42,885,172
Cost of sales	15,540,206	*4 15,163,164
Gross profit	28,167,537	27,722,007
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	205,060	175,243
Provision for share awards for directors (and other officers)	9,320	9,250
Salaries and allowances	*4 14,840,874	*4 14,281,639
Employees' bonuses	308,754	329,502
Provision for bonuses	351,499	485,943
Welfare expenses	1,598,376	1,515,934
Retirement benefit expenses	184,141	171,825
Utilities expenses	1,801,204	1,835,397
Supplies expenses	1,425,987	1,738,748
Rent expenses	5,423,201	5,610,131
Repair expenses	531,236	868,152
Depreciation	1,711,404	1,449,402
Miscellaneous expenses	3,446,337	3,796,494
Amortization of goodwill	133,125	89,909
Total selling, general and administrative expenses	31,970,523	32,357,574
Operating loss	(3,802,986)	(4,635,567)
Non-operating income		
Interest income	13,379	9,278
Dividend income	18,370	18,970
Rental income from buildings	129,606	64,875
Foreign exchange gains	338	18,472
Subsidy income	*5 1,721,484	*5 7,264,316
Subsidies for employment adjustment	*4 94,557	*4 46,704
Miscellaneous income	85,766	148,655
Total non-operating income	2,063,503	7,571,272
Non-operating expenses		
Interest expenses	127,229	128,652
Rental expenses on real estate	76,020	45,411
Miscellaneous losses	124,657	92,145
Total non-operating expenses	327,907	266,209
Ordinary profit (loss)	(2,067,390)	2,669,495
Extraordinary income		
Gain on sale of non-current assets	*3 502,179	*3 1,694
Compensation income	62,638	22,573
Total extraordinary income	564,817	24,267
Extraordinary losses		
Loss on retirement of non-current assets	*1 19,773	*1 22,293
Loss on valuation of investment securities	-	5,453
Impairment losses	*2 2,556,421	*2 471,355
Loss on store closings	102,965	1,563
Loss on COVID-19	*6 29,012	*6 4,909
Total extraordinary losses	2,708,172	505,575
Profit (loss) before income taxes	(4,210,745)	2,188,188
Income taxes - current	349,960	915,684
Income taxes - deferred	(537,884)	(384,274)
Total income taxes	(187,923)	531,410
Profit (loss)	(4,022,822)	1,656,778
Profit attributable to non-controlling interests	44,684	82,157
Profit (loss) attributable to owners of parent	(4,067,507)	1,574,620

## (Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Profit (loss)	(4,022,822)	1,656,778
Other comprehensive income		
Valuation difference on available-for-sale securities	90,434	37,900
Deferred gains or losses on hedges	20,024	(3,231)
Foreign currency translation adjustment	786	3,936
Total other comprehensive income	* 111,245	* 38,604
Comprehensive income	(3,911,577)	1,695,383
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,956,261)	1,613,225
Comprehensive income attributable to non-controlling interests	44,684	82,157

## (3) Consolidated Statement of Changes in Equity

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
Loss attributable to owners of parent			(4,067,507)		(4,067,507)
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
Loss attributable to owners of parent								(4,067,507)
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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,076,110	6,934,606	(5,390,248)	(120,009)	10,500,458
Cumulative effects of changes in accounting policies			(40,000)		(40,000)
Restated balance	9,076,110	6,934,606	(5,430,249)	(120,009)	10,460,457
Changes during period					
Issuance of new shares	1,377,975	1,377,975			2,755,951
Deficit disposition		(4,000,939)	4,000,939		-
Profit attributable to owners of parent			1,574,620		1,574,620
Net changes in items other than shareholders' equity					
Total changes during period	1,377,975	(2,622,963)	5,575,559	-	4,330,571
Balance at end of period	10,454,085	4,311,642	145,310	(120,009)	14,791,028

(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	175,359	52,755	(962,306)	11,857	(722,333)	13,012	198,866	9,990,004
Cumulative effects of changes in accounting policies							(1,833)	(41,834)
Restated balance	175,359	52,755	(962,306)	11,857	(722,333)	13,012	197,033	9,948,170
Changes during period								
Issuance of new shares								2,755,951
Deficit disposition								-
Profit attributable to owners of parent								1,574,620
Net changes in items other than shareholders' equity	37,900	(3,231)	-	3,936	38,604	(9,097)	82,157	111,665
Total changes during period	37,900	(3,231)	-	3,936	38,604	(9,097)	82,157	4,442,236
Balance at end of period	213,260	49,524	(962,306)	15,793	(683,728)	3,914	279,191	14,390,406

## (4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(4,210,745)	2,188,188
Depreciation	1,742,330	1,471,841
Amortization of goodwill	133,125	89,909
Impairment losses	2,556,421	471,355
Increase (decrease) in provision for bonuses	(45,418)	137,830
Increase (decrease) in allowance for doubtful accounts	(10,727)	(2,788)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(20,140)	-
Increase (decrease) in retirement benefit liability	12,811	8,865
Interest and dividend income	(31,749)	(28,248)
Interest expenses	127,229	128,652
Compensation income	(62,638)	(22,573)
Gain on sale of non-current assets	(502,179)	(1,694)
Loss on retirement of non-current assets	19,773	22,293
Loss (gain) on valuation of investment securities	-	5,453
Decrease (increase) in trade receivables	(228,372)	(302,992)
Decrease (increase) in inventories	(5,422)	131,247
Decrease (increase) in accounts receivable - other	(1,627,044)	199,320
Increase (decrease) in trade payables	(61,092)	212,494
Increase (decrease) in accounts payable - other	(179,892)	398,256
Increase (decrease) in accrued consumption taxes	(408,146)	(175,566)
Decrease (increase) in consumption taxes refund receivable	(152,276)	51,488
Other, net	(69,659)	135,979
Subtotal	(3,023,816)	5,119,315
Interest and dividends received	21,131	18,926
Interest paid	(128,501)	(128,763)
Proceeds from compensation	15,932	40,983
Income taxes paid	(444,885)	(452,648)
Income taxes refund	27,339	107,195
Net cash provided by (used in) operating activities	(3,532,800)	4,705,007
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,020,083)	(1,746,315)
Proceeds from sale of property, plant and equipment	1,824,814	4,439
Purchase of intangible assets	(124,855)	(134,143)
Payments for asset retirement obligations	(218,364)	(32,090)
Payments of guarantee deposits	(81,100)	(181,657)
Proceeds from refund of guarantee deposits	435,588	249,287
Payments of construction assistance fund receivables	(35,909)	(19,000)
Proceeds from collection of construction assistance fund receivables	87,698	83,337
Other, net	15,035	(84,926)
Net cash provided by (used in) investing activities	882,823	(1,861,069)



	(Thousands of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from financing activities		
Proceeds from long-term borrowings	4,500,000	-
Repayments of long-term borrowings	(1,177,214)	(1,018,399)
Repayments of finance lease obligations	(114,768)	(149,921)
Redemption of bonds	(1,095,000)	(1,015,000)
Proceeds from issuance of share acquisition rights	9,764	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,079,611	2,733,605
Net cash provided by (used in) financing activities	3,202,392	550,284
Effect of exchange rate change on cash and cash equivalents	1,231	9,071
Net increase (decrease) in cash and cash equivalents	553,647	3,403,293
Cash and cash equivalents at beginning of period	8,877,696	9,431,344
Cash and cash equivalents at end of period	9,431,344	12,834,637

**(5) Notes to 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 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 current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

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.

As a result, compared to before the application of the Accounting Standard for Revenue Recognition, deferred tax assets increased 3,938 thousand yen, other current liabilities increased 27,443 thousand yen, retained earnings decreased 20,639 thousand yen and non-controlling interests decreased 2,866 thousand yen in the consolidated balance sheet in the current fiscal year. In the consolidated statement of income in the current fiscal year, net sales, operating profit, ordinary profit and profit before income taxes increased 19,434 thousand yen each, profit increased 18,329 thousand yen and profit attributable to owners of parent increased 19,361 thousand yen.

In the consolidated cash flow statements in the current fiscal year, net profit before income taxes increased 19,434 thousand yen and other included in cash flows from operating activities decreased 19,434 thousand yen.

The beginning balance of retained earnings decreased 40,000 thousand yen and the beginning balance of non-controlling interests decreased 1,833 thousand yen in the consolidated statement of changes in shareholders' equity due to the cumulative effect reflected in net assets at the beginning of the current fiscal year.

The effect of these changes on per-share information is shown in the corresponding section.

**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 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 consolidated financial statements.

**Notes to Consolidated Balance Sheet**

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

	(Thousands of yen)	
	FY3/21	FY3/22
	(As of Mar. 31, 2021)	(As of Mar. 31, 2022)
Investment securities (stocks)	50,000	50,000

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

Assets pledged as collateral

	(Thousands of yen)	
	FY3/21	FY3/22
	(As of Mar. 31, 2021)	(As of Mar. 31, 2022)
Buildings and structures	49,277	62,162
Land	2,804,319	2,804,319
Investment securities	278,099	357,341
Total	3,131,695	3,223,823

Liabilities with collateral

	(Thousands of yen)	
	FY3/21	FY3/22
	(As of Mar. 31, 2021)	(As of Mar. 31, 2022)
Long-term borrowings (including current portion of long-term borrowings)	2,699,400	2,288,770

\*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)	
	FY3/21	FY3/22
	(As of Mar. 31, 2021)	(As of Mar. 31, 2022)
The difference between the market value of land and book value after revaluation	(1,106,748)	(1,131,912)

**Notes to Consolidated Statement of Income**

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

	(Thousands of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Buildings and structures	15,611	12,867
Machinery, equipment and vehicles	344	686
Property, plant and equipment, others	3,618	6,443
Intangible assets	-	2,295
Investment and other assets	198	-
Total	19,773	22,293

## \*2. Impairment loss

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	Hokkaido Saitama Chiba Tokyo Kanagawa Niigata Gifu Shizuoka Aichi Mie Shiga Kyoto Osaka Hyogo Nara Wakayama Okayama (Overseas) Taiwan
Assets for leased	Buildings and structures Land Intangible assets, others	Osaka Hyogo
Others	Buildings and structures Property, plant and equipment, others Goodwill Intangible assets, others	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 (Note 1)	605,023
	Intangible assets, others (Note 2)	681,708
	Total	2,556,421

Note 1: Goodwill resulting from the acquisition of shares in KAZOKUTEI CO., LTD.

Note 2: Include intangible assets and other assets of 594,533 thousand yen resulting from the acquisition of shares in KAZOKUTEI CO., LTD. and other intangible assets and other assets of 86,842 thousand yen resulting from the acquisition of shares in MIYAMOTO MUNASHI CO., LTD.

## (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%.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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	Hokkaido
		Iwate
		Saitama
		Chiba
		Tokyo
		Kanagawa
		Niigata
		Shizuoka
		Aichi
		Mie
Others	Buildings and structures Property, plant and equipment, others Intangible assets, others	Shiga
		Kyoto
		Osaka
		Hyogo
		Nara
		Wakayama
		(Overseas)
		Taiwan

## (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.

## (3) Amount of impairment losses

(Thousands of yen)		
Primary use	Class	Amount
Stores	Buildings and structures	215,528
	Machinery, equipment and vehicles	4,648
	Leased assets	49,895
	Property, plant and equipment, others	188,593
	Intangible assets, others	2,121
Others	Buildings and structures	4,289
	Property, plant and equipment, others	1,362
	Intangible assets, others	4,916
	Total	471,355

## (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 5.9%.

## \*3. Gain on sales of non-current assets

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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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

## \*4. 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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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 9,577 thousand yen out of 730,099 thousand yen in subsidies paid or expected to be paid from cost of sales, and 673,818 thousand yen from salaries and allowances in selling, general and administrative expenses, and posted the excess amount or expected excess amount of 46,704 thousand yen as subsidies for employment adjustment in non-operating income.

**\*5. Subsidy income**

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.

**\*6. Loss on COVID-19**

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 COVID-19 under extraordinary losses.

**Notes to Consolidated Statement of Comprehensive Income**

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

	(Thousands of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	91,204	49,548
Reclassification adjustments	-	-
Before tax effect adjustments	91,204	49,548
Tax effect	(769)	(11,647)
Valuation difference on available-for-sale securities	90,434	37,900
Deferred gains or losses on hedges:		
Amount incurred during the year	28,853	(4,677)
Reclassification adjustments	-	-
Before tax effect adjustments	28,853	(4,677)
Tax effect	(8,829)	1,445
Deferred gains or losses on hedges	20,024	(3,231)
Foreign currency translation adjustment:		
Amount incurred during the year	786	3,936
Total other comprehensive income	111,245	38,604

**Notes to Consolidated Statement of Changes in Equity**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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

	(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) as trust assets of the Officer's Share Benefit Trust.

**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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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

(Shares)

	Number of shares as of Apr. 1, 2021	Increase	Decrease	Number of shares as of Mar. 31, 2022
Outstanding shares				
Common shares (Note 1)	36,158,884	3,713,400	-	39,872,284
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 FY3/22 includes our shares (119,000 shares at the beginning of FY3/22 and 119,000 shares at the end of FY3/22) held by Custody Bank of Japan, Ltd. (trust account) as trust assets of the Officer's Share Benefit Trust.

## 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, 2022 (Thousands of yen)
			As of Apr. 1, 2021	Increase	Decrease	As of Mar. 31, 2022	
Reporting company (Parent company)	First series of stock acquisition rights with exercise price revision clause	Common shares	5,311,300	-	3,713,400	1,597,900	3,914
Total			5,311,300	-	3,713,400	1,597,900	3,914

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 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 FY3/22 but an effective date in FY3/23

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 13, 2022	Common shares	199,359	Retained earnings	5.00	March 31, 2022	June 30, 2022



**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)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Cash and deposits	9,431,344	12,834,637
Cash and cash equivalents	9,431,344	12,834,637

2. Material non-cash transactions

(1) Assets and obligations applicable to finance lease transactions

	(Thousands of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Assets and obligations applicable to finance lease transactions	67,852	647,764

**Business Combinations, etc.**

Transaction under common control

Merger of consolidated subsidiaries

At a meeting of the Board of Directors of SRS Holdings on January 12, 2021, a decision was made to merge MIYAMOTO MUNASHI CO., LTD. and SUNROLLY Co., LTD., consolidated subsidiaries of SRS Holdings, and these companies were merged on April 1, 2021.

(1) Summary of merger

1) Name and business activities of merging companies

i. Company to merge

Name: MIYAMOTO MUNASHI CO., LTD.

Business: Operation of restaurants

ii. Company to be merged

Name: SUNROLLY Co., LTD.

Business: Operation of restaurants

2) Date of merger

April 1, 2021

3) Method of merger

An absorption-type merger between MIYAMOTO MUNASHI CO., LTD., which will be the surviving company, and SUNROLLY Co., LTD., which will be dissolved.

4) Company's name after acquisition

M&amp;S FOODSERVICE CO., LTD.

(2) Summary of accounting methods applied

Accounting methods used for this merger as a transaction under common control are based on "Accounting Standard for Business Combinations" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

## **Segment and Other Information**

### **Segment information**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021) and FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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

### **Related information**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021) and FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

#### **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**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021) and FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021) and FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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**

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021) and FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

Not applicable.

**Per-share Information**

(Yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	271.32	354.87
Net income (loss) per share	(116.47)	41.57
Diluted net income per share	-	41.26

Notes: 1. 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 FY3/21 and 119,000 shares for FY3/22).

For calculation of net income (loss) per share and diluted net income 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 FY3/21 and 119,000 shares for FY3/22).

3. As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) in accordance with the transitional treatment prescribed in Paragraph 84 of this standard. As a result, net assets per share for FY3/22 decreased by 0.52 yen, and net income per share and diluted net income per share increased by 0.51 yen each.

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

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Total net assets (Thousands of yen)	9,990,004	14,390,406
Deduction on total net assets (Thousands of yen)	211,879	283,106
[of which share acquisition rights (Thousands of yen)]	[13,012]	[3,914]
[of which non-controlling interests (Thousands of yen)]	[198,866]	[279,191]
Net assets applicable to common shares (Thousands of yen)	9,778,124	14,107,300
Number of common shares at end of period used in calculation of net assets per share (Shares)	36,039,541	39,752,941

5. Basis for calculating net income (loss) per share is as follows.

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net income (loss) per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	(4,067,507)	1,574,620
Amounts not available to common shareholders (Thousands of yen)	-	-
Profit (loss) attributable to owners of parent applicable to common shares (Thousands of yen)	(4,067,507)	1,574,620
Average number of common shares outstanding during the period (Shares)	34,923,094	37,881,710
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Increase in number of common shares (Shares)	-	277,530
Description of the latent shares not included in the calculation of diluted net income per share due to their non-dilutive effect	-	-

**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.*