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November 4, 2022

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)**

[Japanese GAAP]

Company name: SRS HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange

Securities code: 8163

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

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Scheduled date of filing of Quarterly Report:

November 11, 2022

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, 2023
(April 1, 2022 - September 30, 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	%
Six months ended Sep. 30, 2022	25,920	35.6	(722)	-	(762)	-	(864)	-
Six months ended Sep. 30, 2021	19,114	(6.7)	(2,588)	-	2,832	-	2,009	-

Note: Comprehensive income (million yen)

Six months ended Sep. 30, 2022: (805) (-%)

Six months ended Sep. 30, 2021: 2,070 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	(21.26)	-
Six months ended Sep. 30, 2021	54.38	53.87

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	33,622	14,629	42.6
As of Mar. 31, 2022	35,492	14,390	39.7

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2022: 14,322

As of Mar. 31, 2022: 14,107

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	0.00	-	5.00	5.00
Fiscal year ending Mar. 31, 2023	-	0.00			
Fiscal year ending Mar. 31, 2023 (forecast)			-	0.00	0.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 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	54,000	25.9	(700)	-	(800)	-	(1,500)	-

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of Sep. 30, 2022: 41,470,184 shares

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

2) Number of treasury shares at the end of period

As of Sep. 30, 2022: 119,343 shares

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

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2022: 40,690,383 shares

Six months ended Sep. 30, 2021: 36,942,569 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 FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)			First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	19,114	(1,375)	(6.7)	25,920	6,805	35.6
Operating profit	(2,588)	313	-	(722)	1,866	-
Ordinary profit	2,832	5,650	-	(762)	(3,595)	-
Profit attributable to owners of parent	2,009	5,076	-	(864)	(2,874)	-

Sales increased significantly and there was a big decline in the operating loss in the first half of the current fiscal year as the number of customers increased following the end in late March of all major restrictions in Japan involving the pandemic. However, there was an operating loss due to the limited recovery in sales caused by a new wave of the COVID-19 pandemic since July, and rapid increases in the cost of raw materials, utilities and other items caused primarily by the Ukraine crisis and the yen's decline. There was also an ordinary loss and loss attributable to owners of parent compared with profits one year earlier when subsidies for reducing operating hours were received.

The primary goals of the new medium-term business plan, which started in the fiscal year that ended in March 2022, are achieving a rapid recovery from the impact of the pandemic and making current businesses more profitable. The SRS Group is speeding up actions for growth in the business climate after the pandemic ends and constantly working on making current operations more profitable. Examples of these measures include cutting fixed expenses by combining the head office of KAZOKUTEI Co., Ltd. with the SRS Holdings head office, converting underperforming restaurants to other formats to improve profitability and adding a unified customer loyalty point stamp function to the app of every group restaurant brand to increase the number of customers who visit other types of SRS Group restaurants. Activities and an overview of restaurant format operations are as follows.

Activities in major restaurant formats

Washoku Sato restaurants

To improve earnings following the pandemic downturn and attract an even larger number of customers, *Washoku Sato* started selling in September 2022 at all restaurants a new all-you-can-eat yakiniku, shabu-shabu and a la carte menu item called Sato-Style Yakiniku Premium. Mookata of Thailand, which is meat and vegetables cooked in a pan by diners at the table, was used as the basic idea for the development of original plate. There were many advertisements on TV, the internet and other channels for this new all-you-can-eat option featuring *Washoku Sato* Ambassador Nagisa Shibuya, a member of a well-known all-female idol group. To bring in new customers, a loyalty point stamp function was added to the *Washoku Sato* app. There were also many activities to increase the number of people registered for this app. Due to these activities, the number of app members has been climbing steadily and in September, reached *Washoku Sato*'s target number for the second year following the launch of this app. In addition, sales were 11,205 million yen, which was 46.4% higher than in the first half of the previous fiscal year. During the first half of this fiscal year, one restaurant was opened and one was closed, resulting in 207 locations.

“Nigiri Chojiro” restaurants

To give customers a reason to visit restaurants more often, the *Nigiri Chojiro* app was launched in July 2022 and used to provide a variety of useful information along with discount coupons. In September, some restaurants started accepting takeout orders from smartphones using the new app, which increases convenience for customers and productivity for restaurants. For sales growth, restaurants held limited time only fairs featuring seasonal menu items. Two examples of seasonal ingredients are nodoguro, which has a delicious fat with plenty of flavor, and

fresh mackerel, which has a firm texture and rich, oily flavor. For takeout orders, restaurants are selling Omotenashi Zukushi prepared with seasonal ingredients such as tachiuo (beltfish) and sea eel. As a result, sales increased 29.0% year on year to 5,960 million yen.

Tendon Tempura Honpo Santen restaurants

Restaurants held a limited time only 390-yen Festival featuring four popular types of tendon at a price of only 390 yen as many other restaurants were raising prices repeatedly. The festival brought in new customers and increased the frequency of customer visits. In another step to raise sales, restaurants started selling Teriyaki Tsukimi Tendon, which features a teriyaki sauce and a presentation based on viewing the moon, a seasonal theme. As in the previous fiscal year, there were TV commercials featuring a popular duo Shimofuri Myojo and promotions using LINE (a popular social media app in Japan), Instagram and other internet channels with the goal of bringing in new customers. As a result, sales increased 9.5% year on year to 1,421 million yen. During the first half, one restaurant was closed, resulting in 43 locations.

Kazokutei restaurants

To increase the number of customers, restaurants held an Anniversary Festival Campaign to celebrate the 70th anniversary of the *Kazokutei* Group and periodically conducted a Twitter & Instagram Message Submission Campaign. For raising the frequency of customer visits, restaurants held a fair featuring regional ingredients based on the theme of visiting Shikoku and the islands of the Seto Inland Sea. Two featured dishes are tenzaru soba (tempura with chilled buckwheat noodles) with alfonsino and vegetables from Shikoku and a Shikoku Island breeze set with fried sea bass from Kagawa prefecture and Aki whitebait rice. As a result, sales increased 40.9% year on year to 2,064 million yen. During the first half, one restaurant was closed, resulting in 66 locations.

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

2) Opening and closure of restaurants

(Number of restaurants)

Name	FY3/22 (As of Mar. 31, 2022)	Newly opened restaurants	Closed restaurants	Second quarter of FY3/23 (As of Sep. 30, 2022)	Restaurants planned to open during FY3/23
<i>Washoku Sato</i>	207 (-)	1 (-)	1 (-)	207 (-)	4
<i>Kazokutei*</i>	67 (8)	- (-)	1 (-)	66 (8)	0
<i>Nigiri Chojiro*</i>	66 (-)	- (-)	- (-)	66 (-)	3
<i>Tokutoku</i>	63 (50)	- (-)	1 (1)	62 (49)	0
<i>Tendon Tempura Honpo Santen</i>	44 (1)	- (-)	1 (-)	43 (1)	2
<i>Katsuya</i>	41 (14)	1 (1)	- (-)	42 (15)	7
<i>Meshiya Miyamoto Munashi</i>	38 (2)	- (-)	3 (-)	35 (2)	0
<i>Sushi delivery business</i>	11 (4)	1 (-)	1 (-)	11 (3)	4
<i>Himawari/Sabo-Himawari</i>	9 (-)	- (-)	1 (-)	8 (-)	0
<i>Karayama</i>	6 (-)	- (-)	- (-)	6 (-)	1
<i>M&S FC Business*</i>	20 (-)	1 (-)	1 (-)	20 (-)	6
<i>Others</i>	18 (-)	- (-)	1 (-)	17 (-)	2
Domestic total	590 (79)	4 (1)	11 (2)	583 (78)	29
Overseas stores	21 (16)	3 (3)	2 (1)	22 (18)	7
Worldwide total	611 (95)	7 (4)	13 (3)	605 (96)	36

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.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year decreased 1,869 million yen from the end of the previous fiscal year to 33,622 million yen.

Current assets decreased 1,370 million yen from the end of the previous fiscal year to 16,494 million yen. This was mainly due to a decrease of 1,621 million yen in accounts receivable-other and an increase of 242 million yen

in raw materials and supplies.

Non-current assets decreased 486 million yen from the end of the previous fiscal year to 16,982 million yen. This was primarily due to decreases of 148 million yen in guarantee deposits, 135 million yen in property and equipment, others, net and 107 million yen in buildings, net.

Current liabilities decreased 801 million yen from the end of the previous fiscal year to 7,774 million yen. This was mainly due to decreases of 598 million yen in income taxes payable, 145 million yen in accounts payable-other and 100 million yen in provision for bonuses.

Non-current liabilities decreased 1,306 million yen from the end of the previous fiscal year to 11,219 million yen. This was mainly due to decreases of 467 million yen in bonds payable, 439 million yen in long-term borrowings and 187 million yen in retirement benefit liability.

Net assets were 14,629 million yen, an increase of 238 million yen from the end of the previous fiscal year.

(3) Explanation of Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) decreased 65 million yen from the end of the previous fiscal year to 12,768 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 854 million yen, compared with 1,528 million yen provided in the same period of the previous fiscal year. This was mainly due to a loss before income taxes of 806 million yen, a decrease in accounts receivable-other of 1,521 million yen and depreciation of 754 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,022 million yen, compared with 906 million yen used in the same period of the previous fiscal year. This was mainly due to payments of 850 million yen for the purchase of property, plant and equipment, and purchase of intangible assets of 140 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 29 million yen, compared with 312 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 1,236 million yen, redemption of bonds of 467 million yen and repayments of long-term borrowings of 457 million yen.

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

We have revised the consolidated earnings forecasts which were announced on May 13, 2022 in the Summary of Financial Results for the Fiscal Year Ended March 31, 2022.

For more details, please refer to the news release “Revisions to the Full Year Earnings Forecasts and Year-end Dividend Forecasts” announced on November 4, 2022 (Japanese version only).

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

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	12,834,637	12,768,914
Accounts receivable - trade	1,724,620	1,713,504
Merchandise	63,026	64,304
Raw materials and supplies	807,469	1,049,823
Current portion of long-term loans receivable	72,785	68,544
Accounts receivable - other	1,855,168	233,617
Other	509,822	598,699
Allowance for doubtful accounts	(2,184)	(2,975)
Total current assets	17,865,346	16,494,433
Non-current assets		
Property, plant and equipment		
Buildings, net	3,216,288	3,108,437
Land	3,099,407	3,099,407
Other, net	2,765,272	2,629,514
Total property, plant and equipment	9,080,968	8,837,359
Intangible assets		
Goodwill	576,917	531,963
Other	658,749	653,448
Total intangible assets	1,235,667	1,185,411
Investments and other assets		
Investment securities	621,780	559,519
Long-term loans receivable	757,208	652,148
Guarantee deposits	4,322,291	4,173,571
Deferred tax assets	1,148,442	1,199,545
Other	307,099	378,981
Allowance for doubtful accounts	(4,923)	(4,514)
Total investments and other assets	7,151,899	6,959,252
Total non-current assets	17,468,535	16,982,022
Deferred assets	158,910	146,504
Total assets	35,492,792	33,622,960

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	1,659,167	1,695,118
Current portion of bonds payable	935,000	935,000
Current portion of long-term borrowings	913,044	913,889
Accounts payable - other	2,499,651	2,354,262
Income taxes payable	742,630	143,755
Provision for bonuses	495,114	394,143
Other	1,331,683	1,338,304
Total current liabilities	8,576,292	7,774,474
Non-current liabilities		
Bonds payable	5,100,000	4,632,500
Long-term borrowings	4,010,856	3,570,906
Deferred tax liabilities for land revaluation	82,947	82,947
Provision for retirement benefits for directors (and other officers)	27,753	27,753
Provision for share awards for directors (and other officers)	19,420	24,370
Retirement benefit liability	211,402	23,486
Asset retirement obligations	1,243,340	1,189,733
Other	1,830,374	1,667,463
Total non-current liabilities	12,526,094	11,219,160
Total liabilities	21,102,386	18,993,635
Net assets		
Shareholders' equity		
Share capital	10,454,085	11,077,683
Capital surplus	4,311,642	4,935,240
Retained earnings	145,310	(919,026)
Treasury shares	(120,009)	(120,009)
Total shareholders' equity	14,791,028	14,973,888
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	213,260	204,748
Deferred gains or losses on hedges	49,524	92,282
Revaluation reserve for land	(962,306)	(962,306)
Foreign currency translation adjustment	15,793	13,932
Total accumulated other comprehensive income	(683,728)	(651,341)
Share acquisition rights	3,914	-
Non-controlling interests	279,191	306,779
Total net assets	14,390,406	14,629,325
Total liabilities and net assets	35,492,792	33,622,960

(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 FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	19,114,890	25,920,607
Cost of sales	*2 6,723,823	9,036,790
Gross profit	12,391,067	16,883,817
Selling, general and administrative expenses	*2 14,979,878	17,606,155
Operating loss	(2,588,811)	(722,337)
Non-operating income		
Interest income	4,760	4,268
Dividend income	9,325	10,165
Rental income from buildings	32,437	32,725
Foreign exchange gains	14,601	-
Subsidy income	*1 5,396,851	-
Subsidies for employment adjustment	*2 33,786	-
Miscellaneous income	65,744	45,894
Total non-operating income	5,557,508	93,053
Non-operating expenses		
Interest expenses	64,613	60,753
Rental expenses on real estate	28,700	23,108
Foreign exchange losses	-	54
Miscellaneous losses	42,454	49,520
Total non-operating expenses	135,768	133,437
Ordinary profit (loss)	2,832,928	(762,721)
Extraordinary income		
Gain on sales of non-current assets	2,278	1,575
Gain on extinguishment of tie-in shares	-	19,867
Gain on cancellation of leasehold contracts	-	19,681
Total extraordinary income	2,278	41,124
Extraordinary losses		
Loss on retirement of non-current assets	9,633	14,724
Impairment losses	27,233	56,422
Loss on store closings	274	14,236
Loss on COVID-19	*3 4,909	-
Total extraordinary losses	42,050	85,384
Profit (loss) before income taxes	2,793,156	(806,981)
Income taxes - current	779,110	93,743
Income taxes - deferred	(45,071)	(63,336)
Total income taxes	734,038	30,407
Profit (loss)	2,059,117	(837,388)
Profit attributable to non-controlling interests	50,005	27,587
Profit (loss) attributable to owners of parent	2,009,112	(864,976)

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

	(Thousands of yen)	
	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Profit (loss)	2,059,117	(837,388)
Other comprehensive income		
Valuation difference on available-for-sale securities	22,242	(8,511)
Deferred gains or losses on hedges	(14,448)	42,758
Foreign currency translation adjustment	3,587	(1,860)
Total other comprehensive income	11,382	32,386
Comprehensive income	2,070,499	(805,002)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,020,494	(832,590)
Comprehensive income attributable to non-controlling interests	50,005	27,587

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	2,793,156	(806,981)
Depreciation	643,464	754,706
Amortization of goodwill	44,954	44,954
Impairment losses	27,233	56,422
Increase (decrease) in retirement benefit liability	2,802	(187,915)
Increase (decrease) in provision for bonuses	(2,142)	(100,970)
Increase (decrease) in allowance for doubtful accounts	(2,204)	381
Interest and dividend income	(14,085)	(14,433)
Interest expenses	64,613	60,753
Gain on sale of non-current assets	(2,278)	(1,575)
Loss on retirement of non-current assets	9,633	14,724
Loss (gain) on extinguishment of tie-in shares	-	(19,867)
Gain on cancellation of leasehold contracts	-	(19,681)
Decrease (increase) in trade receivables	269,571	12,060
Decrease (increase) in inventories	159,898	(243,151)
Decrease (increase) in accounts receivable - other	(2,043,425)	1,521,215
Increase (decrease) in trade payables	(334,724)	34,416
Increase (decrease) in accounts payable - other	(122,274)	(145,561)
Increase (decrease) in accrued consumption taxes	(159,004)	533,137
Decrease (increase) in consumption taxes refund receivable	274,144	100,787
Other, net	55,696	(29,322)
Subtotal	1,665,028	1,564,100
Interest and dividends received	9,309	10,079
Interest paid	(64,649)	(60,655)
Proceeds from compensation	18,410	-
Income taxes paid	(206,743)	(696,856)
Income taxes refund	107,088	37,522
Net cash provided by (used in) operating activities	1,528,444	854,191
Cash flows from investing activities		
Purchase of property, plant and equipment	(765,199)	(850,380)
Proceeds from sale of property, plant and equipment	3,923	1,959
Purchase of intangible assets	(107,884)	(140,387)
Payments for asset retirement obligations	(33,890)	(32,856)
Payments of guarantee deposits	(167,916)	(65,949)
Proceeds from refund of guarantee deposits	103,466	74,463
Payments of construction assistance fund receivables	(9,500)	(29,300)
Proceeds from collection of construction assistance fund receivables	42,930	40,762
Other, net	27,429	(20,416)
Net cash provided by (used in) investing activities	(906,640)	(1,022,103)

	(Thousands of yen)	
	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	19,000
Repayments of long-term borrowings	(551,699)	(457,055)
Repayments of finance lease obligations	(60,921)	(101,338)
Redemption of bonds	(547,500)	(467,500)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,472,502	1,236,068
Dividends paid	-	(199,359)
Net cash provided by (used in) financing activities	312,380	29,814
Effect of exchange rate change on cash and cash equivalents	5,934	530
Net increase (decrease) in cash and cash equivalents	940,119	(137,566)
Cash and cash equivalents at beginning of period	9,431,344	12,834,637
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	71,843
Cash and cash equivalents at end of period	10,371,463	12,768,914

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

Not applicable.

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.

Our assumption is that the impact of the pandemic on sales that occurred during the fiscal year that ended in March 2022 will slowly decline from the first half to the second half of the current fiscal year, although the rate of decline will differ depending on business formats and restaurant locations. Estimates of the need for the impairment of non-current assets and for the ability to use deferred tax assets are based on this assumption.

In the current fiscal year, sales are slowly recovering due to the absence of requests to reduce operating hours and other restrictions involving the pandemic. As of the end of September 2022, the pandemic was still affecting results of operations and predicting the end of the pandemic is still impossible. Therefore, the assumptions used for the accounting estimates in the Securities Report for the previous fiscal year have been revised. We now expect the pandemic to continue to affect results of operations throughout the current fiscal year. This revision has only a negligible effect on the consolidated financial statements for the second quarter of the current fiscal year.

Due to the uncertainty about when the pandemic will end, the SRS Holdings Group's financial condition, performance and cash flows may be impacted if the effects of the pandemic continue for a long time.

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

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

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

***2. Subsidies for employment adjustment**

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**

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

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 FY3/22 (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.

II. First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

1. Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date	Source of funds
Board of Directors Meeting on May 13, 2022	Common shares	199,359	5.00	March 31, 2022	June 30, 2022	Retained earnings

Note: Total dividends paid in accordance with a resolution approved by the SRS Holdings Board of Directors on May 13, 2022 includes a payment of 595 thousand yen for shares held by Custody Bank of Japan, Ltd. (trust account) as trust assets of the Officers' Share Benefit Trust.

2. Significant changes in shareholders' equity

In the first six months of FY3/23, capital stock and capital surplus increased 623,597 thousand yen each due to the exercise of share acquisition rights.

Segment and Other Information

First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021) and first six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

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.