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May 22, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023**[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 ordinary general meeting of shareholders: June 29, 2023
 Scheduled date of payment of dividend: -
 Scheduled date of filing of Securities Report: June 30, 2023
 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, 2023 (April 1, 2022 – March 31, 2023)**(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, 2023	54,505	27.1	(606)	-	(669)	-	(1,451)	-
Fiscal year ended Mar. 31, 2022	42,885	(1.9)	(4,635)	-	2,669	-	1,574	-

Note: Comprehensive income (million yen)

Fiscal year ended Mar. 31, 2023: (1,378) (-%)

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

	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, 2023	(35.40)	-	(10.4)	(1.9)	(1.1)
Fiscal year ended Mar. 31, 2022	41.57	41.26	13.2	8.0	(10.8)

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2023: -

Fiscal year ended Mar. 31, 2022: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	34,370	14,055	39.9	331.70
As of Mar. 31, 2022	35,492	14,390	39.7	354.87

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2023: 13,716

As of Mar. 31, 2022: 14,107

(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, 2023	2,075	(2,801)	(30)	12,150
Fiscal year ended Mar. 31, 2022	4,705	(1,861)	550	12,834

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, 2022	-	0.00	-	5.00	5.00	199	12.0	1.6
Fiscal year ended Mar. 31, 2023	-	0.00	-	0.00	0.00	0	-	-
Fiscal year ending Mar. 31, 2024 (forecast)	-	0.00	-	5.00	5.00		25.9	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	6.4	1,500	-	1,400	-	800	-

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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2023: 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 Mar. 31, 2023: 119,343 shares

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

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2023: 40,995,210 shares

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

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)**

(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, 2023	18,645	14.5	137	(83.2)	(196)	-	(743)	-
Fiscal year ended Mar. 31, 2022	16,282	(1.5)	820	19.4	732	-	528	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2023	(18.15)	-
Fiscal year ended Mar. 31, 2022	13.95	13.85

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	31,832	14,790	46.5	357.69
As of Mar. 31, 2022	32,053	14,478	45.2	364.11

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2023: 14,790

As of Mar. 31, 2022: 14,474

*** 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)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)			FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	42,885	(822)	(1.9)	54,505	11,619	27.1
Operating profit	(4,635)	(832)	-	(606)	4,028	-
Ordinary profit	2,669	4,736	-	(669)	(3,338)	-
Profit attributable to owners of parent	1,574	5,642	-	(1,451)	(3,025)	-

With the easing of restrictions following the end of all major pandemic safety measures in March 2022 and the Japanese government's travel support measures and easing of entry restrictions implemented in October 2022, compatibility between pandemic safety measures and socio-economic activities was gradually achieved. In the fiscal year that ended in March 2023, the number of customers visiting our stores recovered, and both sales and operating profit significantly exceeded the previous year's results. However, the recovery in sales at the SRS Group was held down by a decline in demand during dinner and nighttime operations caused by a change in consumer behavior due to the pandemic and by the negative impact of inflation on consumer sentiment. Furthermore, the prolonged Ukraine crisis and the yen's sharp decline caused rapid increases in the cost of raw materials, utilities and other items. These factors resulted in an operating loss. There was an ordinary loss and loss attributable to owners of parent compared with profits one year earlier when subsidies for reducing operating hours were received.

On December 27, 2022, the SRS Holdings Board of Directors approved a resolution to purchase all of the stock of NIS Inc., which operates a nationwide network of karaage restaurants using the *TORISHO* brand. The stock was purchased on February 1, 2023. In the highly competitive market for restaurants specializing in takeout karaage, NIS has grown steadily since its inception 12 years ago to 227 locations in Japan and other countries, the largest in this restaurant category. Making NIS a subsidiary gives the SRS Group a sound position in the takeout market for karaage, which is one of the best known and frequently purchased food items in Japan. This is expected to further strengthen the SRS Group's portfolio of restaurants in the lower price sector and contribute to accomplishing two goals. One is "targeting demand for prepared meals that are consumed at home," a central theme of the new medium-term business plan released in May 2021. The other is the corporate vision of "building an infrastructure essential for society as a company that can be successful for 100 years." Many synergies are anticipated with other SRS Group operations, such as cost reductions by using the large volume procurement of ingredients with other group companies, the development of new menu items, collaboration with other SRS Group restaurants, and other activities. The goal is to use these benefits for even higher earnings at franchised *TORISHO* restaurants and the further expansion of the SRS Group's activities for selling prepared meals that are consumed at home.

Achieving a rapid recovery from the impact of the pandemic and making current businesses more profitable are major goals of the current medium-term business plan that started in the previous fiscal year. In addition to the activities explained above, the Merchandising (MD) Division of the SRS Group completed measures for joint purchasing and integrated procurement with KAZOKUTEI Co., Ltd., which reduced purchasing and delivery expenses. In addition, underperforming restaurants were closed or converted to other formats to improve profitability, a unified customer loyalty point stamp function was added to the app of every group restaurant brand, and there were measures to increase the number of customers who visit other SRS Group restaurants. Overall, group restaurants raised the speed of measures for growth following the end of the pandemic and continued to work on making existing businesses more profitable. Activities and an overview of restaurant format operations are as follows.

Activities in major restaurant formats

Washoku Sato restaurants

These restaurants continued to focus on all-you-can-eat menu items with emphasis on Sato-style Yakiniku Premium,

which was launched at all *Washoku Sato* restaurants in September 2022. There were also limited-time-only menu items using an approach that differs from seasonal fairs for dishes like Mafugu and Taimeshi. Another event was Special NMB (Nanban) Soba, a joint activity with NMB48, an all-female idol group that includes Nagisa Shibuya, the first *Washoku Sato* Ambassador. Restaurants sold Yuzu NMB Soba with Yuba and Fried Mochi and Beef Cheese Mizuna Curry NMB Soba. The SRS Group stamp function was added to the *Washoku Sato* app in order to attract new customers from other group restaurants. Furthermore, restaurants began the trial operation of a mobile ordering system that allows customers to use the app for ordering takeout items. This is expected to improve convenience for customers and raise productivity at restaurants. Sales were 24,028 million yen, which was 36.0% higher than in the previous fiscal year. During the fiscal year, four restaurants were opened and 14 were closed, resulting in 197 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 another step to increase sales, restaurants held the Third Winter Flavors Fair that features seasonal ingredients such as kuruma shrimp with outstanding texture and sweetness and kinmedai (alfonsino), a fish with a delicate flavor and just the right fat content. In addition, there was a takeout fair during the three-day (from February 1 to 3) Setsubun holiday featuring Fukuju-maki, a luxurious seafood roll with shrimp, grilled eels, herring roe and other ingredients. This event also featured a Mini Kaburi 4-Roll Set that included an unatama roll, fried shrimp roll and other popular items. As a result, sales increased 20.3% year on year to 12,161 million yen. During the fiscal year, one restaurant was opened, resulting in 67 locations.

Tendon Tempura Honpo Santen restaurants

To increase the frequency of restaurant visits even more, restaurants started offering the Santen Official App in September 2022. Used in conjunction with promotions using LINE (a popular social media app in Japan), the new app supplies coupons exclusively for app members and information about promotions offering reduced prices. There were several activities for sales growth: a Tendon Tempura Honpo Santen Day! Customer Appreciation Festival, a limited-time-only 100 yen chuka-an tendon discount, a Twitter Follow & Retweet event, and a YouTube channel registration event that distributed gifts. As a result, sales increased 8.6% year on year to 2,834 million yen. During the fiscal year, eight restaurants were closed, resulting in 36 locations.

Kazokutei restaurants

Kazokutei used LINE for many sales promotion activities on a regular basis in order to bring in more customers. More restaurants are using the Smartphone Order capability that improves convenience for customers and productivity at restaurants. To raise the frequency of customer visits, there was a special event with a theme of traveling around islands of Kyushu to enjoy the cuisine and food culture of Kyushu. In addition, menu items using ingredients from islands of Kyushu were sold for a limited time, such as tenzaru soba with Kumamoto Amakusa sea bream and Kyushu vegetables. As a result, sales increased 30.0% year on year to 4,351 million yen. During the fiscal year, four restaurants were closed, resulting in 63 locations.

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

SRS Group: Opening and closure of restaurants

(Number of restaurants)

Name	FY3/22 (As of Mar. 31, 2022)	Newly opened restaurants	Closed restaurants	FY3/23 (As of Mar. 31, 2023)	Restaurants planned to open during FY3/23
<i>Washoku Sato</i>	207 (-)	4 (-)	14 (-)	197 (-)	4
<i>Kazokutei*</i>	67 (8)	- (-)	4 (-)	63 (8)	-
<i>Nigiri Chojiro*</i>	66 (-)	1 (-)	- (-)	67 (-)	3
<i>Tokutoku</i>	63 (50)	- (-)	3 (1)	60 (49)	-
<i>Tendon Tempura Honpo Santen</i>	44 (1)	- (-)	8 (-)	36 (1)	2
<i>Katsuya</i>	41 (14)	4 (1)	- (-)	45 (15)	7
<i>Miyamoto Munashi</i>	38 (2)	- (-)	12 (-)	26 (2)	-
<i>Sushi delivery business</i>	11 (4)	3 (-)	3 (1)	11 (3)	4
<i>Himawari/Sabo-Himawari</i>	9 (-)	- (-)	1 (-)	8 (-)	-
<i>Karayama</i>	6 (-)	- (-)	- (-)	6 (-)	1
<i>M&S FC Business*</i>	20 (-)	6 (-)	2 (-)	24 (-)	6
<i>Others</i>	18 (-)	- (-)	5 (-)	13 (-)	2
<i>TORISHO*</i>	- (-)	237 (237)	14 (14)	223 (223)	-
Domestic total	590 (79)	255 (238)	66 (16)	779 (301)	29
Overseas stores	21 (16)	10 (10)	4 (3)	27 (23)	7
Worldwide total	611 (95)	265 (248)	70 (19)	806 (324)	36

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

* Restaurant openings and closures include *TORISHO*, the restaurants of NIS, which were acquired on February 1, 2023.

* *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) Financial Position

Total assets at the end of the current fiscal year decreased 1,122 million yen from the end of the previous fiscal year to 34,370 million yen.

Current assets decreased 1,351 million yen from the end of the previous fiscal year to 16,514 million yen. This was mainly due to decreases of 1,376 million yen in other under current assets, 684 million yen in cash and deposits and an increase of 426 million yen in accounts receivable-trade.

Non-current assets increased 253 million yen from the end of the previous fiscal year to 17,721 million yen. This was primarily due to an increase of 562 million yen in goodwill, a decrease of 323 million yen in guarantee deposits, and an increase in 285 million yen in deferred tax assets.

Current liabilities increased 613 million yen from the end of the previous fiscal year to 9,189 million yen. This was mainly due to increases of 809 million yen in other under current liabilities, 229 million yen in accounts payable-trade, and a decrease of 660 million yen in income taxes payable.

Non-current liabilities decreased 1,401 million yen from the end of the previous fiscal year to 11,124 million yen. This was mainly due to decreases of 935 million yen in bonds payable, 325 million yen in lease liabilities, and 187 million yen in retirement benefit liability.

Net assets were 14,055 million yen, a decrease of 334 million yen from the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") decreased 756 million yen from the end of the previous fiscal year to 12,150 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 2,075 million yen, compared with 4,705 million yen provided in the previous fiscal year. This was mainly due to a loss before income taxes of 1,472 million yen, depreciation of 1,595 million yen and a decrease in accounts receivable-other of 1,531 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 2,801 million yen, compared with 1,861 million yen used in the previous fiscal year. This was mainly due to payments of 1,741 million yen for the purchase of property, plant and equipment, and 830 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Net cash used in financing activities was 30 million yen, compared with 550 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 1,235 million yen, proceeds from long-term borrowings of 1,019 million yen, repayments of long-term borrowings of 949 million yen, and redemption of bonds of 935 million yen.

(Reference) Trends in cash flow indicators

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Equity ratio (%)	48.3	38.2	31.5	39.7	39.9
Equity ratio based on market value (%)	112.3	94.4	99.9	90.4	114.1
Interest-bearing debt to cash flow ratio (years)	4.2	9.7	-	2.7	5.5
Interest coverage ratio (times)	19.3	12.4	-	36.6	17.4

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

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

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

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

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

(4) Outlook

In the fiscal year ending in March 2024, we expect a slow recovery in the number of customers at restaurants as social and economic activity return to normal accompanied by pandemic safety measures. However, the business climate is likely to remain extremely challenging because of the rising prices of energy, resources and raw materials as well as the negative impact of inflation on consumer sentiment. There were many activities during the past fiscal year to accomplish the goals of the medium-term business plan that started in the fiscal year that ended in March 2022. One was the acquisition of NIS Inc., which operates *TORISHO* takeout karaage restaurants, to enlarge the SRS Group's presence in the market for prepared meals that is consumed at home and in the category of restaurants selling items at low prices. Another activity was the closing or business format conversions of unprofitable restaurants in order to achieve a quick recovery of the profitability of current businesses, which were impacted by the pandemic and increases in many types of expenses. We also developed prototype restaurants with higher productivity and new menu items. Price revisions that reflected added value resulting from menu mix changes were another activity during the past fiscal year. Sales and earnings began to recover slowly in the third quarter of the past fiscal year because of these initiatives. Although we expect the business climate to remain difficult, we forecast higher sales and earnings due to the benefits the numerous activities. Based on the outlook for social and economic activity in Japan to continue to recover and on information currently available and recent results of operations, we forecast sales of 58,000 million yen, operating profit of 1,500 million yen, ordinary profit of 1,400 million yen and profit attributable to owners of parent of 800 million yen in the fiscal year ending in March 2024.

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

Results and Forecast

	FY3/22 (Actual)	FY3/23 (Actual)	FY3/24 (Forecast for results of operations)
Net sales (Millions of yen)	42,885	54,505	58,000
Ordinary profit (Millions of yen)	2,669	(669)	1,400
Number of restaurants	611	806	847

(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.

However, we post a net loss for the fiscal year ended in March 2023, and we regret to say that we will not pay a year-end dividend. For the fiscal year ending in March 2024, we plan to pay a year-end dividend of 5.00 yen per share.

2. Corporate Group

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

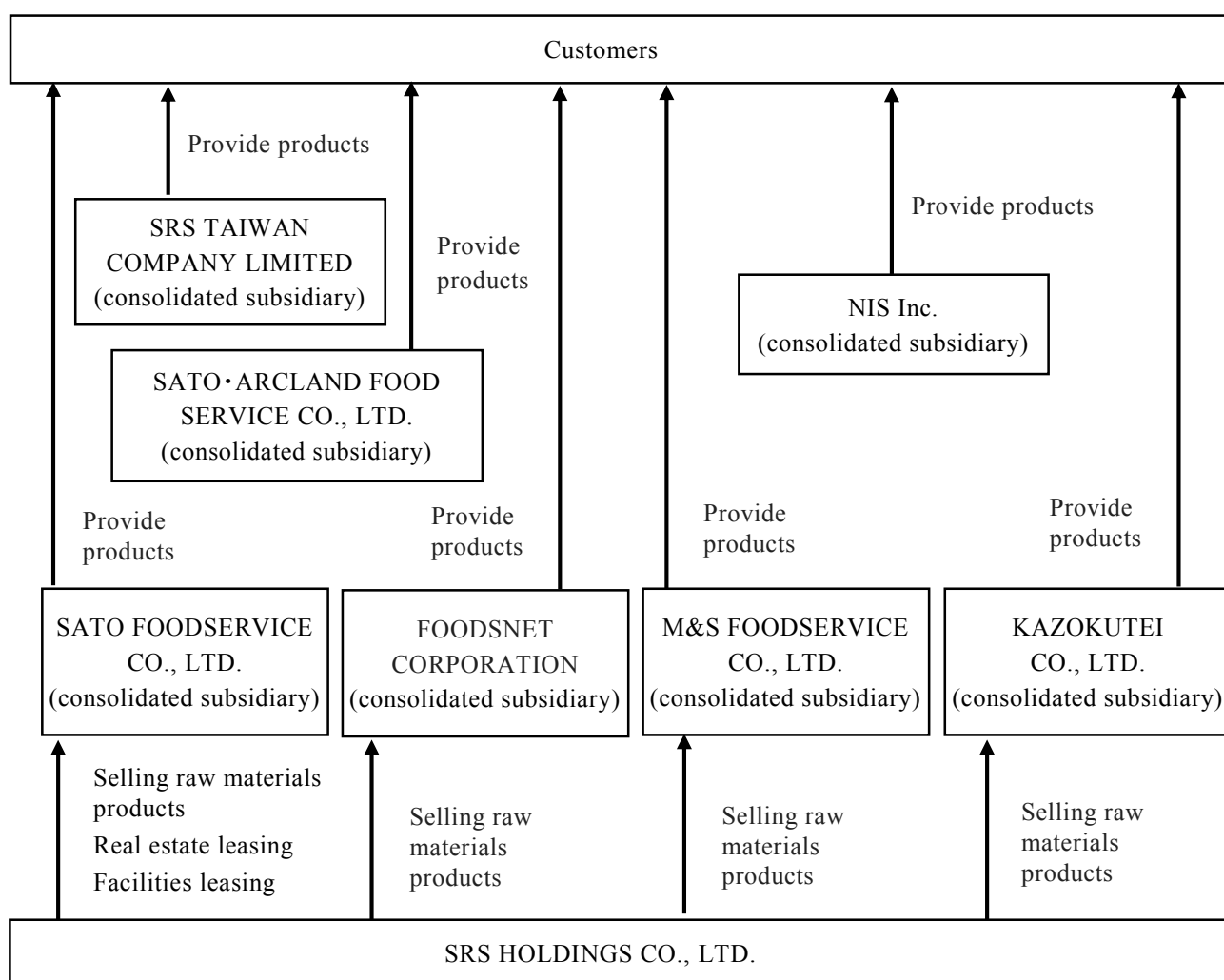
We do not provide segment information because we have only a single business segment of food service business.

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., NIS Inc., SATO • ARCLAND FOOD SERVICE CO., LTD., and SRS TAIWAN COMPANY LIMITED operate restaurants that serve mainly Japanese food.

(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)	
	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	12,834,637	12,150,379
Accounts receivable - trade	1,724,620	2,150,927
Merchandise	63,026	58,486
Raw materials and supplies	807,469	1,105,146
Current portion of long-term loans receivable	72,785	64,654
Other	2,364,990	988,317
Allowance for doubtful accounts	(2,184)	(3,793)
Total current assets	17,865,346	16,514,119
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,569,967	23,078,254
Accumulated depreciation	*3 (19,932,847)	*3 (19,526,594)
Buildings and structures, net	*2 3,637,120	*2 3,551,660
Machinery, equipment and vehicles	889,202	902,801
Accumulated depreciation	*3 (735,745)	*3 (758,875)
Machinery, equipment and vehicles, net	153,457	143,925
Land	*2, *4 3,099,407	*2, *4 3,094,528
Leased assets	2,094,115	1,896,160
Accumulated depreciation	*3 (1,199,720)	*3 (1,179,175)
Leased assets, net	894,394	716,984
Construction in progress	31,815	11,323
Other	6,788,498	6,812,601
Accumulated depreciation	*3 (5,523,726)	*3 (5,672,667)
Other, net	1,264,772	1,139,933
Total property, plant and equipment	9,080,968	8,658,356
Intangible assets		
Goodwill	576,917	1,139,858
Other	658,749	860,343
Total intangible assets	1,235,667	2,000,201
Investments and other assets		
Investment securities	*1, *2 621,780	*2 636,868
Long-term loans receivable	757,208	624,276
Guarantee deposits	4,322,291	3,998,578
Deferred tax assets	1,148,442	1,433,626
Other	307,099	374,044
Allowance for doubtful accounts	(4,923)	(4,096)
Total investments and other assets	7,151,899	7,063,298
Total non-current assets	17,468,535	17,721,856
Deferred assets	158,910	134,166
Total assets	35,492,792	34,370,142

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	1,659,167	1,888,789
Current portion of bonds payable	935,000	935,000
Current portion of long-term borrowings	*2 913,044	*2 1,051,626
Lease liabilities	201,579	190,420
Accounts payable - other	2,499,651	2,631,668
Income taxes payable	742,630	81,741
Provision for bonuses	495,114	470,647
Other	1,130,103	1,939,752
Total current liabilities	8,576,292	9,189,645
Non-current liabilities		
Bonds payable	5,100,000	4,165,000
Long-term borrowings	*2 4,010,856	*2 3,940,917
Lease liabilities	1,492,253	1,166,441
Deferred tax liabilities for land revaluation	*4 82,947	*4 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	29,170
Retirement benefit liability	211,402	23,486
Asset retirement obligations	1,243,340	1,182,199
Other	338,121	506,727
Total non-current liabilities	12,526,094	11,124,642
Total liabilities	21,102,386	20,314,288
Net assets		
Shareholders' equity		
Share capital	10,454,085	11,077,683
Capital surplus	4,311,642	4,935,240
Retained earnings	145,310	(1,543,803)
Treasury shares	(120,009)	(120,009)
Total shareholders' equity	14,791,028	14,349,111
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	213,260	260,385
Deferred gains or losses on hedges	49,524	14,471
Revaluation reserve for land	*4 (962,306)	*4 (923,897)
Foreign currency translation adjustment	15,793	16,144
Total accumulated other comprehensive income	(683,728)	(632,896)
Share acquisition rights	3,914	-
Non-controlling interests	279,191	339,639
Total net assets	14,390,406	14,055,853
Total liabilities and net assets	35,492,792	34,370,142

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

	(Thousands of yen)	
	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	42,885,172	54,505,020
Cost of sales	15,163,164	18,995,066
Gross profit	27,722,007	35,509,953
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	175,243	206,220
Provision for share awards for directors (and other officers)	9,250	9,750
Salaries and allowances	14,281,639	16,262,453
Employees' bonuses	329,502	364,927
Provision for bonuses	485,943	462,738
Welfare expenses	1,515,934	1,607,304
Retirement benefit expenses	171,825	184,375
Utilities expenses	1,835,397	2,855,000
Supplies expenses	1,738,748	1,582,173
Rent expenses	5,610,131	5,804,149
Repair expenses	868,152	786,989
Depreciation	1,449,402	1,575,368
Miscellaneous expenses	3,796,494	4,325,339
Amortization of goodwill	89,909	89,909
Total selling, general and administrative expenses	32,357,574	36,116,700
Operating loss	(4,635,567)	(606,746)
Non-operating income		
Interest income	9,278	8,881
Dividend income	18,970	21,435
Rental income from buildings	64,875	65,300
Foreign exchange gains	18,472	9,209
Subsidy income	*5 7,264,316	-
Subsidies for employment adjustment	*4 46,704	-
Miscellaneous income	148,655	70,344
Total non-operating income	7,571,272	175,171
Non-operating expenses		
Interest expenses	128,652	119,383
Rental expenses on real estate	45,411	46,461
Miscellaneous losses	92,145	71,953
Total non-operating expenses	266,209	237,798
Ordinary profit (loss)	2,669,495	(669,373)
Extraordinary income		
Gain on sales of non-current assets	*3 1,694	*3 2,690
Compensation income	22,573	-
Gain on extinguishment of tie-in shares	-	19,867
Gain on cancellation of leasehold contracts	-	32,247
Total extraordinary income	24,267	54,805
Extraordinary losses		
Loss on retirement of non-current assets	*1 22,293	*1 36,667
Loss on sale of non-current assets	-	65
Loss on valuation of investment securities	5,453	2,796
Impairment losses	*2 471,355	*2 731,987

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Loss on store closings	1,563	66,213
Loss on COVID-19	*6 4,909	-
Litigation settlement	-	20,000
Total extraordinary losses	505,575	857,731
Profit (loss) before income taxes	2,188,188	(1,472,299)
Income taxes - current	915,684	183,321
Income taxes - deferred	(384,274)	(264,723)
Total income taxes	531,410	(81,401)
Profit (loss)	1,656,778	(1,390,897)
Profit attributable to non-controlling interests	82,157	60,447
Profit (loss) attributable to owners of parent	1,574,620	(1,451,345)

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Profit (loss)	1,656,778	(1,390,897)
Other comprehensive income		
Valuation difference on available-for-sale securities	37,900	47,125
Deferred gains or losses on hedges	(3,231)	(35,053)
Foreign currency translation adjustment	3,936	351
Total other comprehensive income	* 38,604	* 12,423
Comprehensive income	1,695,383	(1,378,473)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,613,225	(1,438,921)
Comprehensive income attributable to non-controlling interests	82,157	60,447

(3) Consolidated Statement of Changes in Equity

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

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,454,085	4,311,642	145,310	(120,009)	14,791,028
Changes during period					
Issuance of new shares	623,597	623,597			1,247,195
Dividends of surplus			(199,359)		(199,359)
Reversal of revaluation reserve for land			(38,408)		(38,408)
Loss attributable to owners of parent			(1,451,345)		(1,451,345)
Net changes in items other than shareholders' equity					
Total changes during period	623,597	623,597	(1,689,113)	-	(441,917)
Balance at end of period	11,077,683	4,935,240	(1,543,803)	(120,009)	14,349,111

(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	213,260	49,524	(962,306)	15,793	(683,728)	3,914	279,191	14,390,406
Changes during period								
Issuance of new shares								1,247,195
Dividends of surplus								(199,359)
Reversal of revaluation reserve for land								(38,408)
Loss attributable to owners of parent								(1,451,345)
Net changes in items other than shareholders' equity	47,125	(35,053)	38,408	351	50,831	(3,914)	60,447	107,364
Total changes during period	47,125	(35,053)	38,408	351	50,831	(3,914)	60,447	(334,552)
Balance at end of period	260,385	14,471	(923,897)	16,144	(632,896)	-	339,639	14,055,853

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	2,188,188	(1,472,299)
Depreciation	1,471,841	1,595,169
Amortization of goodwill	89,909	89,909
Impairment losses	471,355	731,987
Increase (decrease) in provision for bonuses	137,830	(24,917)
Increase (decrease) in allowance for doubtful accounts	(2,788)	782
Increase (decrease) in retirement benefit liability	8,865	(187,915)
Interest and dividend income	(28,248)	(30,316)
Interest expenses	128,652	119,383
Compensation income	(22,573)	-
Gain on sale of non-current assets	(1,694)	(2,690)
Loss on retirement of non-current assets	22,293	36,667
Loss on sale of non-current assets	-	65
Loss (gain) on valuation of investment securities	5,453	2,796
Gain on cancellation of leasehold contract	-	(32,247)
Loss (gain) on extinguishment of tie-in shares	-	(19,867)
Decrease (increase) in trade receivables	(302,992)	(388,640)
Decrease (increase) in inventories	131,247	(292,908)
Decrease (increase) in accounts receivable - other	199,320	1,531,763
Increase (decrease) in trade payables	212,494	218,700
Increase (decrease) in accounts payable - other	398,256	121,260
Increase (decrease) in accrued consumption taxes	(175,566)	964,911
Decrease (increase) in consumption taxes refund receivable	51,488	100,787
Other, net	135,979	182,890
Subtotal	5,119,315	3,245,272
Interest and dividends received	18,926	21,823
Interest paid	(128,763)	(120,983)
Proceeds from compensation	40,983	-
Income taxes paid	(452,648)	(1,107,720)
Income taxes refund	107,195	37,522
Net cash provided by (used in) operating activities	4,705,007	2,075,913
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,746,315)	(1,741,537)
Proceeds from sale of property, plant and equipment	4,439	3,081
Purchase of intangible assets	(134,143)	(240,001)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (830,687)
Payments for asset retirement obligations	(32,090)	(108,429)
Payments of guarantee deposits	(181,657)	(104,534)
Proceeds from refund of guarantee deposits	249,287	233,683
Payments of construction assistance fund receivables	(19,000)	(38,500)
Proceeds from collection of construction assistance fund receivables	83,337	80,124
Other, net	(84,926)	(54,959)
Net cash provided by (used in) investing activities	(1,861,069)	(2,801,759)

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	1,019,000
Repayments of long-term borrowings	(1,018,399)	(949,541)
Repayments of finance lease liabilities	(149,921)	(201,847)
Redemption of bonds	(1,015,000)	(935,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,733,605	1,235,749
Dividends paid	-	(199,359)
Net cash provided by (used in) financing activities	550,284	(30,998)
Effect of exchange rate change on cash and cash equivalents	9,071	743
Net increase (decrease) in cash and cash equivalents	3,403,293	(756,101)
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	*1 12,834,637	*1 12,150,379

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

Not applicable.

Additional Information

SRS Holdings and some consolidated subsidiaries in Japan started using the group tax sharing system in the fiscal year that ended in March 2023. The accounting treatment of corporate and local corporate income tax and tax effect accounting and disclosures involving this accounting treatment are in accordance with Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 42, August 12, 2021).

Notes to Consolidated Balance Sheet

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

	(Thousands of yen)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
Investment securities (stocks)	50,000	-

*2. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral

	(Thousands of yen)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
Buildings and structures	62,162	52,348
Land	2,804,319	2,804,319
Investment securities	357,341	398,513
Total	3,223,823	3,255,180

Liabilities with collateral

	(Thousands of yen)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
Long-term borrowings		
(including current portion of long-term borrowings)	2,288,770	2,608,540

*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, 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)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
The difference between the market value of land and book value after revaluation	(1,131,912)	(1,147,928)

Notes to Consolidated Statement of Income***1. Breakdown of loss on retirement of non-current assets**

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 - Mar. 31, 2022)	(Apr. 1, 2022 - Mar. 31, 2023)
Buildings and structures	12,867	18,901
Machinery, equipment and vehicles	686	556
Property, plant and equipment, others	6,443	7,467
Intangible assets, others	2,295	9,741
Investment and other assets, others	-	0
Total	22,293	36,667

***2. Impairment loss**

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

The Group recognized an impairment loss on the following groups of assets.

				(Thousands of yen)
Primary use	Location		Class	Amount
Stores	Hokkaido	Mie	Buildings and structures	215,528
	Iwate	Shiga		
	Saitama	Kyoto	Machinery, equipment and vehicles	4,648
	Chiba	Osaka		
	Tokyo	Hyogo	Leased assets	49,895
	Kanagawa	Nara	Property, plant and equipment, others	188,593
	Niigata	Wakayama		
	Shizuoka	(Overseas)	Intangible assets, others	2,121
	Aichi	Taiwan		
Corporate assets	Osaka		Buildings and structures	4,289
			Property, plant and equipment, others	1,362
			Intangible assets, others	4,916
Total				471,355

The SRS Group regards each store as the base unit in identifying the smallest group of assets that generate cash flows. Assets for leased and for unused real estate and other assets are grouped individually, and corporate assets are grouped in larger units that include corporate assets.

For asset groups where operating activities are consistently unprofitable or expected to be unprofitable and asset groups where the decision has been made to close a restaurant, book values were written down to the amount that can be recovered because the future discounted cash flows from each asset group are less than the book value. These reductions are recorded as asset impairment losses and classified as extraordinary losses.

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%.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

The Group recognized an impairment loss on the following groups of assets.

(Thousands of yen)

(Thousands of yen)				
Primary use	Location		Class	Amount
Stores	Hokkaido Ibaraki Saitama Chiba Tokyo Kanagawa Niigata Shizuoka Aichi	Mie Shiga Kyoto Osaka Hyogo Nara Wakayama Okayama	Buildings and structures	353,828
			Machinery, equipment and vehicles	7,273
			Land	4,879
			Leased assets	54,469
			Property, plant and equipment, others	98,318
			Intangible assets, others	1,921
			Investment and other assets, others	113
			Corporate assets	Tokyo Osaka
Machinery, equipment and vehicles	13,554			
Property, plant and equipment, others	17,476			
Intangible assets, others	126,539			
Total				731,987

The SRS Group regards each store as the base unit in identifying the smallest group of assets that generate cash flows. Assets for leased and for unused real estate and other assets are grouped individually, and head office and corporate assets are grouped in larger units that include corporate assets.

For asset groups where business activities are consistently unprofitable or expected to be unprofitable and asset groups where the decision has been made to close a restaurant, book values were written down to the amount that can be recovered because the future discounted cash flows from each asset group are less than the book value. These reductions are recorded as asset impairment losses and classified as extraordinary losses. At KAZOKUTEI CO., LTD., operating activities of a large unit that includes corporate assets have been consistently unprofitable. As a result, based on the determination of the amount that can be recovered in the future of this large unit including corporate assets, the book value of the corporate assets was completely written off.

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 6.3%.

*3. Gain on sales of non-current assets

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.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

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

***4. Subsidies for employment adjustment**

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)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	49,548	67,884
Reclassification adjustments	-	-
Before tax effect adjustments	49,548	67,884
Tax effect	(11,647)	(20,758)
Valuation difference on available-for-sale securities	37,900	47,125
Deferred gains or losses on hedges:		
Amount incurred during the year	(4,677)	(50,494)
Reclassification adjustments	-	-
Before tax effect adjustments	(4,677)	(50,494)
Tax effect	1,445	15,441
Deferred gains or losses on hedges	(3,231)	(35,053)
Foreign currency translation adjustment:		
Amount incurred during the year	3,936	351
Total other comprehensive income	38,604	12,423

Notes to Consolidated Statement of Changes in Equity

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 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 first 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

Note: Board of Directors resolution on May 13, 2022 includes our dividends (595 thousand yen) held by Custody Bank of Japan, Ltd. (trust account) as trust assets of the Officer's Share Benefit Trust.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

1. Type and number of outstanding shares and treasury shares

(Shares)

	Number of shares as of Apr. 1, 2022	Increase	Decrease	Number of shares as of Mar. 31, 2023
Outstanding shares				
Common shares (Note 1)	39,872,284	1,597,900	-	41,470,184
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 FY3/23 includes our shares (119,000 shares at the beginning of FY3/23 and 119,000 shares at the end of FY3/23) 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, 2023 (Thousands of yen)
			As of Apr. 1, 2022	Increase	Decrease	As of Mar. 31, 2023	
Reporting company (Parent company)	First series of stock acquisition rights with exercise price revision clause	Common shares	1,597,900	-	1,597,900	-	-
Total			1,597,900	-	1,597,900	-	-

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 first series of stock acquisition rights with exercise price revision clause was due to the exercise of stock acquisition rights.

3. Dividends

(1) Dividend payment

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

Note: Board of Directors resolution on May 13, 2022 includes our dividends (595 thousand yen) held by Custody Bank of Japan, Ltd. (trust account) as trust assets of the Officer's Share Benefit Trust.

(2) Dividends with a record date in FY3/23 but an effective date in FY3/24

Not applicable.

Notes to Consolidated Statement of Cash Flows

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

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Cash and deposits	12,834,637	12,150,379
Cash and cash equivalents	12,834,637	12,150,379

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

The breakdown of assets and liabilities at the time of the start of consolidation due to the newly consolidation of NIS Inc. as a result of a share acquisition and the relationship with the amount of acquisition cost and purchase of shares of subsidiaries resulting in change in scope of consolidation are as follows.

	(Thousands of yen)
Current assets	231,048
Non-current assets	405,879
Goodwill	652,849
Current liabilities	(228,377)
Non-current liabilities	(311,400)
Acquisition cost of newly consolidated subsidiaries	750,000
Cash and cash equivalents of newly consolidated subsidiaries	(154,312)
Loans to such companies performed between the acquisition date and the deemed acquisition date	385,000
Long-term account payable - other	(150,000)
Balance: Purchase of shares of subsidiaries resulting in change in scope of consolidation	830,687

3. Material non-cash transactions

(1) Assets and obligations applicable to finance lease transactions

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Assets and obligations applicable to finance lease transactions	647,764	-

Business Combinations, etc.**I. Transaction under common control**

Absorption and merger of a non-consolidated subsidiary

On December 28, 2021, the SRS Holdings Board of Directors approved a resolution for the absorption and merger of non-consolidated subsidiary SPACE SUPPLY CO., LTD. A contract for this action was signed on the same day and, in accordance with the contract, the absorption and merger took place on April 1, 2022.

1. Summary of merger**(1) Name and business activities of the merged company**

Company to be merged

Name: SPACE SUPPLY CO., LTD.

Business: Leasing and management of real estate

(2) Date of merger

April 1, 2022

(3) Method of merger

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.

(4) Company's name after merger

SRS HOLDINGS CO., LTD.

(5) Purpose

More efficient management by unifying business operations and the optimal utilization of assets

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."

Extraordinary income of 19,867 thousand yen for a gain on extinguishment of tie-in shares was recorded due to this absorption and merger.

II. Business combination using an acquisition**1. Summary of merger****(1) Name and business activities of the acquired company**

Name: NIS Inc.

Business activities: Operation of restaurants

(2) Major reasons for the business combination

Based on the philosophy of "contributing to society through food," the SRS Group has operated a food business since its inception that consists of restaurants that serve mainly Japanese cuisine. As of January 31, 2023, the SRS Group had 573 restaurants in Japan and 21 restaurants in other countries.

The SRS Group is dedicated to earning profits as well as to operating as a social infrastructure for food that is essential for customers and all other stakeholders. Group companies have continuously taken actions to accomplish this goal. In response to changes in life styles during the past few years due to the pandemic, the SRS Group has also been placing priority on the expansion of business operations for prepared meals that are consumed at home. This category includes takeout, delivery and other types of restaurant operations.

In the highly competitive market for restaurants specializing in takeout karaage, NIS has grown steadily since its inception 12 years ago to 227 locations in Japan and other countries, the largest in this restaurant category. Making NIS a subsidiary gives SRS Holdings a sound position in the takeout market for karaage, which is one of the best

known and frequently purchased food items in Japan. This is expected to further strengthen SRS Holdings' portfolio of restaurants in the lower price sector and contribute to accomplishing two goals. One is "targeting demand for prepared meals that are consumed at home," a central theme of the new medium-term business plan. The other is the corporate vision of "building an infrastructure essential for society as a company that can be successful for 100 years." Many synergies are anticipated with other SRS Holdings operations, such as cost reductions by using the large volume procurement of ingredients with other group companies, the development of new menu items, collaboration with other SRS Holdings restaurants, and other activities. The goal is to use these benefits for even higher earnings at franchised *TORISHO* restaurants and the further expansion of the SRS Group's activities for selling prepared meals that are consumed at home.

(3) Date of merger

February 1, 2023 (deemed acquisition date: March 31, 2023)

(4) Method of merger

Share acquisition

(5) Company's name after merger

No change.

(6) Percentage of voting rights acquired

100%

(7) Major reasons for deciding the acquisition

Purchase of shares by using a cash payment

2. Period of business results of the acquired company included in the consolidated financial statements

In tFY3/23, the acquired company is included only in the consolidated balance sheet. Business results are not included in the consolidated financial statements.

3. Breakdown by type of acquisition and acquisition cost

Type of acquisition	Cash	750 million yen
Acquisition cost		750 million yen

4. Details and amount of major acquisition-related costs

Advisory fees, expenses, etc. 34,742 thousand yen

5. The amount of goodwill arising, factors causing goodwill and method and term to amortize goodwill

(1) The amount of goodwill arising

652,849 thousand yen

*At the end of the fiscal year under review, the identification of identifiable assets at the date of the business combination have not been completed, and the allocation of acquisition costs has not been completed.

(2) Factors causing goodwill

The acquisition cost of the acquired company at the time of the business combination was higher than the net assets of this company. As a result, the amount by which the acquisition cost exceeds net assets was recognized as goodwill.

(3) Method and term to amortize goodwill

Straight-line method over 15 years

6. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

	(Thousands of yen)
Current assets	231,048
Non-current assets	405,879
Total assets	636,927
Current liabilities	228,377
Non-current liabilities	311,400
Total liabilities	539,777

7. Approximate amount and calculation method of the impact on the consolidated statement of income for the current fiscal year assuming that the business combination has been completed on the first day of the fiscal year
This information is omitted because the estimated monetary impact is negligible.

Segment and Other Information**Segment information**

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) and FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

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

Related information

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) and FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) and FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) and FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

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

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) and FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

Not applicable.

Per-share Information

(Yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net assets per share	354.87	331.70
Net income (loss) per share	41.57	(35.40)
Diluted net income per share	41.26	-

Notes: 1. Diluted net income per share in FY3/23 is not presented since the Company has no 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 period for the purpose of calculating net assets per share (119,000 shares for FY3/22 and 119,000 shares for FY3/23).

For calculation of net income (loss) per share and diluted net income per share is included in treasury shares, which is deducted from the calculation of the average number of shares during the period (119,000 shares for FY3/22 and 119,000 shares for FY3/23).

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

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Total net assets (Thousands of yen)	14,390,406	14,055,853
Deduction on total net assets (Thousands of yen)	283,106	339,639
[of which share acquisition rights (Thousands of yen)]	[3,914]	[-]
[of which non-controlling interests (Thousands of yen)]	[279,191]	[339,639]
Net assets applicable to common shares (Thousands of yen)	14,107,300	13,716,214
Number of common shares at end of period used in calculation of net assets per share (Shares)	39,752,941	41,350,841

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

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net income (loss) per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	1,574,620	(1,451,345)
Amounts not available to common shareholders (Thousands of yen)	-	-
Profit (loss) attributable to owners of parent applicable to common shares (Thousands of yen)	1,574,620	(1,451,345)
Average number of common shares outstanding during the period (Shares)	37,881,710	40,995,210
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.