

## DISCLAIMER

*This English translation is only for reference purpose. When there are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.*

November 6, 2023

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2024  
(Six Months Ended September 30, 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 filing of Quarterly Report:

November 10, 2023

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, 2024****(April 1, 2023 - September 30, 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	%
Six months ended Sep. 30, 2023	29,203	12.7	969	-	967	-	714	-
Six months ended Sep. 30, 2022	25,920	35.6	(722)	-	(762)	-	(864)	-

Note: Comprehensive income (million yen)

Six months ended Sep. 30, 2023: 910 (-%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	17.28	-
Six months ended Sep. 30, 2022	(21.26)	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	33,551	14,966	43.5
As of Mar. 31, 2023	34,376	14,055	39.9

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2023: 14,596

As of Mar. 31, 2023: 13,716

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2024	-	0.00			
Fiscal year ending Mar. 31, 2024 (forecast)			-	5.00	5.00

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

**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	-

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

**Notes**

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

(2) Application of special accounting methods to the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: 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, 2023: 41,470,184 shares

As of Mar. 31, 2023: 41,470,184 shares

2) Number of treasury shares at the end of period

As of Sep. 30, 2023: 119,043 shares

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

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023: 41,351,095 shares

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

## Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance.....	2
(1) Explanation of Results of Operations.....	2
(2) Explanation of Financial Position.....	4
(3) Explanation of Cash Flows.....	4
(4) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements.....	4
2. Quarterly Consolidated Financial Statements and Notes.....	5
(1) Quarterly Consolidated Balance Sheet.....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	7
Quarterly Consolidated Statement of Income	
For the Six-month Period.....	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period.....	8
(3) Quarterly Consolidated Statement of Cash Flows.....	9
(4) Notes to Quarterly Consolidated Financial Statements.....	11
(Going Concern Assumption).....	11
(Changes in the Scope of Consolidation or Application of the Equity Method).....	11
(Significant Changes in Shareholders' Equity).....	11
(Segment and Other Information).....	11
(Business Combinations, etc.).....	12

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

(Millions of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)			First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)		
	Results	YoY change (Amount)	YoY change (%)	Results	YoY change (Amount)	YoY change (%)
Net sales	25,920	6,805	35.6	29,203	3,282	12.7
Operating profit	(722)	1,866	-	969	1,691	-
Ordinary profit	(762)	(3,595)	-	967	1,730	-
Profit attributable to owners of parent	(864)	(2,874)	-	714	1,579	-

During the first half of the fiscal year, rules for wearing masks have been relaxed in March 2023 and in May the Japanese government downgraded COVID-19 to the same level as that of seasonal influenza. In addition, foreign visitors are returning, and the national and local governments have extended support for travel within Japan and have distributed premium gift certificates. As a result, social and economic activity began to return to normal, and people are returning to SRS Group restaurants and first half sales were far higher than during the same period of FY3/23 when the seventh wave of the pandemic hit Japan. Despite these positive trends, the business climate remains challenging because of the Ukraine conflict, the yen's depreciation, the high cost of raw materials and energy, and rising wages due to the labor shortage. In the first half, the SRS Group returned to profitability with a big improvement in earnings. There was an operating profit, ordinary profit and profit attributable to owners of parent due in part to activities in the previous fiscal year to improve profitability and to government assistance for lowering utility expenses.

Achieving a rapid recovery from the impact of the pandemic and making current businesses more profitable are the major goals of the current medium-term business plan. One step for accomplishing these goals is conversions of *Tendon Tempura Honpo Santen* and *Tokutoku* restaurants to a more profitable new business model. Another is the addition of more functions to the SRS Group app and progress with the digital transformation, such as the installation of check-in machines and the use of table service robots at more restaurants. There is also more progress with post-merger integration involving NIS Inc., which was acquired on February 1, 2023, including the integration of purchasing, delivery and back-office tasks with those of the SRS Group. An overview of the operations of restaurant formats is as follows.

*Washoku Sato* restaurants

To further increase productivity, the use of table service robots was expanded to 71 locations and machines that allow customers to use the app to check in are now in use at 138 locations. As in the previous fiscal year, there were advertisements and other marketing activities using several media. This includes TV commercials and SNS ads featuring Nagisa Shibuya, a member of the NMB48 all-female idol group who is the first *Washoku Sato* Ambassador. There are also leaflets delivered with newspapers. The lineup of all-you-can-eat menu items, such as Sato Style Yakiniku and Sato-Shabu, was expanded with special events. One is a Cow Tongue All-You-Can-Eat Campaign featuring limited time only items like tongue in thick sections and tongue nigiri. Another special event was the Korea Fair with all-you-can-eat courses like samgyeopsal (grilled pork belly) and cold noodles. During the first half of this fiscal year, one restaurant was opened and one was closed, resulting in 197 locations. Sales were 12,738 million yen, which was 13.7% higher than in the first half of the previous fiscal year.

*“Nigiri Chojiro”* restaurants

To bring customers to restaurants more often, the *Nigiri Chojiro* app was used to provide a variety of information along with discount coupons. In addition, there were new energetic TV commercials featuring scenes of meal preparation skills and sushi with the goal of more sales growth. A Natsusuzumi Fair was held that featured flavorful eel (hamo) dishes and natural extra-large shrimp with a firm texture and sweetness. During the first half, one restaurant was opened and one was closed, resulting in 67 locations. As a result, sales increased 11.0% year on year to 6,630 million yen.

*Tendon Tempura Honpo Santen* restaurants

For more improvements in productivity, this format has created a self-service restaurant format and started operating the first location of this type in June 2023 by rebuilding the existing Narumi restaurant in Nagoya. To improve profitability following the downturn caused by the recent high ingredients prices, the Grand Menu was revised with measures that include a revision of the lowest price of 390 yen that was maintained for many years. Used in conjunction with promotions on LINE (a popular social media app in Japan) and Instagram, members-only coupons and information about promotions offering reduced prices were distributed using the app. In addition, all restaurants now accept take-out orders from mobile phones using the app to order provide even more convenience for customers. During the first half, two restaurants were closed, resulting in 34 locations. As a result, sales decreased 15.7% year on year to 1,198 million yen.

*Kazokutei* restaurants

To bring in customers more frequently, the *Kazokutei* app that was launched in April 2023 was used to provide information about promotions and distribute reduced-price coupons. For attracting new customers, there was a movie-tie up marketing campaign using the film *Konnichiwa, Kaasan* (Mom, Is That You?!). Customers received scratch cards to win movie tickets. There was also an X (formerly Twitter) Follow & Repost campaign. A Summer Food Fair was held in August, when restaurants are very busy, that featured two special box lunch items, one with Kobe beef and the other with ma-anago (salt-water eels). During the first half, three restaurants were closed, resulting in 60 locations. As a result, sales increased 15.7% year on year to 2,389 million yen.

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

## SRS Group: Opening and closure of restaurants

(Number of restaurants)

Name	FY3/23 (As of Mar. 31, 2023)	Newly opened restaurants	Closed restaurants	Second quarter of FY3/24 (As of Sep. 30, 2023)	Restaurants planned to open during FY3/24
<i>Washoku Sato</i>	197 (-)	1 (-)	1 (-)	197 (-)	2
<i>Nigiri Chojiro/CHOJIRO</i>	67 (-)	1 (-)	1 (-)	67 (-)	5
<i>Kazokutei*</i>	63 (8)	- (-)	3 (1)	60 (7)	1
<i>Tokutoku</i>	60 (49)	- (-)	1 (-)	59 (49)	1
<i>Katsuya</i>	45 (15)	1 (-)	- (-)	46 (15)	7
<i>Tendon Tempura Honpo Santen</i>	36 (1)	- (-)	2 (-)	34 (1)	2
<i>Miyamoto Munashi</i>	26 (2)	- (-)	1 (-)	25 (2)	-
Sushi delivery business	11 (3)	- (-)	- (-)	11 (3)	3
<i>Himawari</i>	8 (-)	- (-)	- (-)	8 (-)	-
<i>Karayama</i>	6 (-)	1 (-)	- (-)	7 (-)	2
M&S FC Business*	24 (-)	2 (-)	- (-)	26 (-)	4
Others	13 (-)	1 (-)	1 (-)	13 (-)	5
<i>Torisho</i>	223 (223)	11 (11)	32 (32)	202 (202)	52
Domestic total	779 (301)	18 (11)	42 (33)	755 (279)	84
Overseas stores	27 (23)	- (-)	2 (2)	25 (21)	10
Worldwide total	806 (324)	18 (11)	44 (35)	780 (300)	94

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

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

A provisional accounting treatment was used in the previous fiscal year for the acquisition of NIS Inc. on February 1, 2023. The accounting treatment was finalized in the second quarter of the current fiscal year. Due to the finalization of the provisional accounting treatment, comparative information in the first half consolidated financial statements incorporates a significant revision of the initial acquisition cost allocation. Comparisons with the end of the previous fiscal year and analysis use figures that have been revised to reflect the changes in the initial acquisition cost allocation due to the finalization of the provisional accounting treatment.

Total assets at the end of the second quarter decreased 824 million yen from the end of the previous fiscal year to 33,551 million yen.

Current assets decreased 1,010 million yen from the end of the previous fiscal year to 15,503 million yen. This was mainly due to decreases of 936 million yen in cash and deposits and 192 million yen in other under current assets.

Non-current assets increased 197 million yen from the end of the previous fiscal year to 17,926 million yen. This was primarily due to increases of 217 million yen in property and equipment, others, net and 198 million yen in investment securities.

Current liabilities decreased 532 million yen from the end of the previous fiscal year to 8,657 million yen. This was mainly due to decreases of 515 million yen in other current liabilities and 195 million yen in accounts payable-trade.

Non-current liabilities decreased 1,203 million yen from the end of the previous fiscal year to 9,927 million yen. This was mainly due to decreases of 520 million yen in long-term borrowings and 472 million yen in bonds payable. Net assets were 14,966 million yen, an increase of 910 million yen from the end of the previous fiscal year.

**(3) Explanation of Cash Flows**

Cash and cash equivalents (hereinafter, “net cash”) decreased 936 million yen from the end of the previous fiscal year to 11,213 million yen.

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

**(Cash flows from operating activities)**

Net cash provided by operating activities was 1,061 million yen, compared with 854 million yen provided in the same period of the previous fiscal year. This was mainly due to a profit before income taxes of 972 million yen, depreciation of 750 million yen and a decrease in accrued consumption taxes of 502 million yen.

**(Cash flows from investing activities)**

Net cash used in investing activities was 912 million yen, compared with 1,022 million yen used in the same period of the previous fiscal year. This was mainly due to payment of 911 million yen for the purchase of property, plant and equipment, proceeds from refund of guarantee deposits of 145 million yen, and payment of 72 million yen for asset retirement obligations.

**(Cash flows from financing activities)**

Net cash used in financing activities was 1,095 million yen, compared with 29 million yen provided in the same period of the previous fiscal year. This was mainly due to repayments of long-term borrowings of 527 million yen, and redemption of bonds of 467 million yen.

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

There are no revisions to the full-year consolidated earnings forecast that was announced on May 22, 2023 in the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023.

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

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	12,150,379	11,213,620
Accounts receivable - trade	2,150,927	2,235,587
Merchandise	58,486	62,228
Raw materials and supplies	1,105,146	1,133,588
Current portion of long-term loans receivable	64,654	66,607
Other	988,317	795,716
Allowance for doubtful accounts	(3,793)	(3,455)
Total current assets	16,514,119	15,503,893
Non-current assets		
Property, plant and equipment		
Buildings, net	3,118,524	3,265,958
Land	3,094,528	3,054,228
Other, net	2,445,303	2,662,713
Total property, plant and equipment	8,658,356	8,982,900
Intangible assets		
Goodwill	1,084,225	1,019,363
Other	945,343	866,028
Total intangible assets	2,029,569	1,885,392
Investments and other assets		
Investment securities	636,868	835,785
Long-term loans receivable	624,276	635,918
Guarantee deposits	3,998,578	3,929,094
Deferred tax assets	1,410,700	1,310,534
Other	374,044	350,307
Allowance for doubtful accounts	(4,096)	(3,676)
Total investments and other assets	7,040,372	7,057,964
Total non-current assets	17,728,297	17,926,257
Deferred assets	134,166	121,759
Total assets	34,376,583	33,551,910

	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,888,789	1,693,403
Current portion of bonds payable	935,000	940,000
Current portion of long-term borrowings	1,051,626	1,044,745
Accounts payable - other	2,631,668	2,715,007
Income taxes payable	81,741	249,966
Provision for bonuses	470,647	400,239
Other	2,130,172	1,614,238
Total current liabilities	9,189,645	8,657,601
Non-current liabilities		
Bonds payable	4,165,000	3,692,500
Long-term borrowings	3,940,917	3,420,225
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)	29,170	34,520
Retirement benefit liability	23,486	21,847
Asset retirement obligations	1,182,199	1,189,518
Other	1,679,609	1,458,274
Total non-current liabilities	11,131,083	9,927,586
Total liabilities	20,320,729	18,585,187
Net assets		
Shareholders' equity		
Share capital	11,077,683	11,077,683
Capital surplus	4,935,240	4,481,953
Retained earnings	(1,543,803)	(376,166)
Treasury shares	(120,009)	(119,707)
Total shareholders' equity	14,349,111	15,063,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	260,385	398,473
Deferred gains or losses on hedges	14,471	43,790
Revaluation reserve for land	(923,897)	(923,897)
Foreign currency translation adjustment	16,144	14,587
Total accumulated other comprehensive income	(632,896)	(467,046)
Non-controlling interests	339,639	370,006
Total net assets	14,055,853	14,966,723
Total liabilities and net assets	34,376,583	33,551,910



(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 FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	25,920,607	29,203,137
Cost of sales	9,036,790	10,210,236
Gross profit	16,883,817	18,992,901
Selling, general and administrative expenses	17,606,155	18,023,465
Operating profit (loss)	(722,337)	969,435
Non-operating income		
Interest income	4,268	3,650
Dividend income	10,165	11,172
Rental income from buildings	32,725	31,842
Foreign exchange gains	-	37,505
Miscellaneous income	45,894	27,114
Total non-operating income	93,053	111,285
Non-operating expenses		
Interest expenses	60,753	54,080
Rental expenses on real estate	23,108	23,468
Foreign exchange losses	54	-
Miscellaneous losses	49,520	35,667
Total non-operating expenses	133,437	113,216
Ordinary profit (loss)	(762,721)	967,504
Extraordinary income		
Gain on sales of non-current assets	1,575	1,612
Gain on extinguishment of tie-in shares	19,867	-
Gain on cancellation of leasehold contracts	19,681	1,151
Compensation income	-	66,066
Total extraordinary income	41,124	68,830
Extraordinary losses		
Loss on retirement of non-current assets	14,724	17,654
Loss on sale of non-current assets	-	194
Impairment losses	56,422	33,403
Loss on store closings	14,236	12,185
Total extraordinary losses	85,384	63,437
Profit (loss) before income taxes	(806,981)	972,896
Income taxes - current	93,743	202,656
Income taxes - deferred	(63,336)	25,520
Total income taxes	30,407	228,177
Profit (loss)	(837,388)	744,719
Profit attributable to non-controlling interests	27,587	30,366
Profit (loss) attributable to owners of parent	(864,976)	714,352

## (Quarterly Consolidated Statement of Comprehensive Income)

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Profit (loss)	(837,388)	744,719
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,511)	138,088
Deferred gains or losses on hedges	42,758	29,319
Foreign currency translation adjustment	(1,860)	(1,556)
Total other comprehensive income	32,386	165,850
Comprehensive income	(805,002)	910,570
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(832,590)	880,203
Comprehensive income attributable to non-controlling interests	27,587	30,366

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(806,981)	972,896
Depreciation	754,706	750,408
Amortization of goodwill	44,954	64,861
Impairment losses	56,422	33,403
Increase (decrease) in retirement benefit liability	(187,915)	(1,638)
Increase (decrease) in provision for bonuses	(100,970)	(70,408)
Increase (decrease) in allowance for doubtful accounts	381	(758)
Interest and dividend income	(14,433)	(14,822)
Interest expenses	60,753	54,080
Compensation income	-	(66,066)
Gain on sale of non-current assets	(1,575)	(1,612)
Loss on retirement of non-current assets	14,724	17,654
Loss on sale of non-current assets	-	194
Loss (gain) on extinguishment of tie-in shares	(19,867)	-
Gain on cancellation of leasehold contract	(19,681)	(1,151)
Decrease (increase) in trade receivables	12,060	(84,024)
Decrease (increase) in inventories	(243,151)	(31,791)
Decrease (increase) in accounts receivable - other	1,521,215	(2,961)
Increase (decrease) in trade payables	34,416	(196,751)
Increase (decrease) in accounts payable - other	(145,561)	(109,403)
Increase (decrease) in accrued consumption taxes	533,137	(502,976)
Decrease (increase) in consumption taxes refund receivable	100,787	-
Other, net	(29,322)	10,466
Subtotal	1,564,100	819,600
Interest and dividends received	10,079	11,124
Interest paid	(60,655)	(53,894)
Proceeds from compensation	-	66,066
Income taxes paid	(696,856)	(37,540)
Income taxes refund	37,522	255,793
Net cash provided by (used in) operating activities	854,191	1,061,149
Cash flows from investing activities		
Purchase of property, plant and equipment	(850,380)	(911,090)
Proceeds from sale of property, plant and equipment	1,959	41,446
Purchase of intangible assets	(140,387)	(53,674)
Payments for asset retirement obligations	(32,856)	(72,024)
Payments of guarantee deposits	(65,949)	(41,368)
Proceeds from refund of guarantee deposits	74,463	145,943
Payments of construction assistance fund receivables	(29,300)	(56,000)
Proceeds from collection of construction assistance fund receivables	40,762	38,651
Other, net	(20,416)	(4,262)
Net cash provided by (used in) investing activities	(1,022,103)	(912,378)

	(Thousands of yen)	
	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from financing activities		
Proceeds from long-term borrowings	19,000	-
Repayments of long-term borrowings	(457,055)	(527,797)
Repayments of finance lease liabilities	(101,338)	(99,903)
Redemption of bonds	(467,500)	(467,500)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,236,068	-
Dividends paid	(199,359)	-
Other, net	-	98
Net cash provided by (used in) financing activities	29,814	(1,095,103)
Effect of exchange rate change on cash and cash equivalents	530	9,573
Net increase (decrease) in cash and cash equivalents	(137,566)	(936,759)
Cash and cash equivalents at beginning of period	12,834,637	12,150,379
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	71,843	-
Cash and cash equivalents at end of period	12,768,914	11,213,620

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

Not applicable.

**Changes in the Scope of Consolidation or Application of the Equity Method**

Important changes in the scope of consolidation

At a meeting of the Board of Directors on April 18, 2023, Board of Directors of SRS Holdings and NIS Inc. (“Former NIS”) approved resolutions for a divestiture by Former NIS on July 1, 2023 and the absorption of the divested business by NIS Inc. (“New NIS”), which was established by SRS Holdings on April 12, 2023. As a result, New NIS is included in the scope of consolidation beginning with the first quarter of the current fiscal year.

**Significant Changes in Shareholders’ Equity****I. 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.

**II. First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)****1. Dividend payment**

Not applicable.

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

In accordance with a resolution approved by the Board of Directors of SRS Holdings on May 22, 2023, on the same day, the capital reserve was reduced by 414,875 thousand yen and the total amount was transferred to other capital surplus. Other capital surplus of 453,283 thousand yen was transferred to retained earnings to offset the retained loss. These changes had no effect on total shareholders’ equity.

**Segment and Other Information**

First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022) and first six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)

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

**Business Combinations, etc.**

Finalization of provisional accounting treatment for business combinations

A provisional accounting treatment was used in the previous fiscal year for the acquisition of NIS Inc. on February 1, 2023. The accounting treatment was finalized in the second quarter of the current fiscal year.

Due to the finalization of the provisional accounting treatment, comparative information in the first half consolidated financial statements incorporates a significant revision of the initial acquisition cost allocation. The acquisition cost was allocated as follows: 85,000 thousand yen to intangible assets, and 29,367 thousand yen to deferred tax liabilities. As a result, provisional goodwill of 652,849 thousand yen was reduced by 55,632 thousand yen to 597,217 thousand yen.

*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.*