



Saizeriya

RISTORANTE E CAFFÈ

Annual Report

2010

Year Ended August 31, 2010



Proposal and challenge of valuable meal every day

The Saizeriya Promise

For people

with gratitude and love

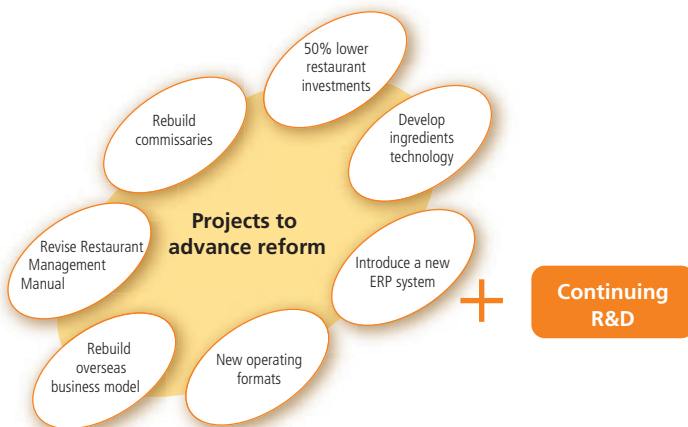
Right-mindedly

as fellow people

Harmoniously

with the employee, the customer, and society

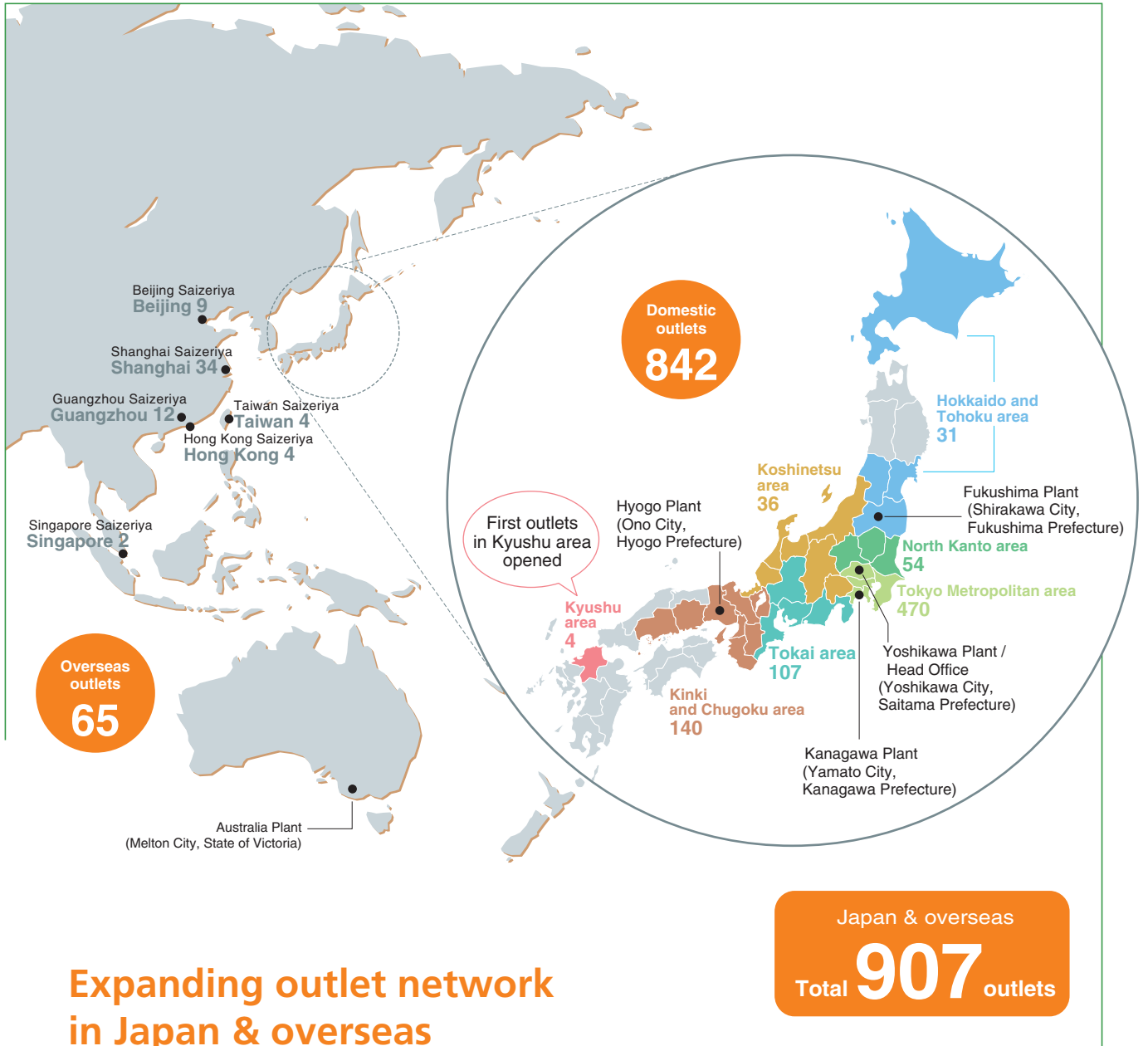
Aiming to Achieve a Highly Advanced Restaurant Industry



Since its founding, Saizeriya's principle has been to provide a rich food culture, with healthy, tasty Italian food at a price that means anyone can eat it every day. To do this, we built a consistent manufacturing and sales system covering everything from the purchasing of raw materials to restaurant service, and grew into a chain of restaurants comprising 842 outlets throughout Japan and 65 overseas.

We are now aiming to achieve a highly advanced restaurant industry, boosting productivity to a level which rivals other industries. In the fiscal year ending August 31, 2011, we will start various projects and make concrete progress in our reforms.

Restaurant Business in Japan



Expanding outlet network in Japan & overseas

Shanghai Saizeriya



Guangzhou Saizeriya



First outlet in Kyushu



Financial Highlights

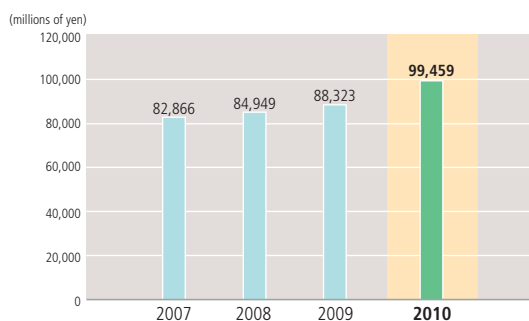
Saizeriya Co., Ltd. and its Consolidated Subsidiaries



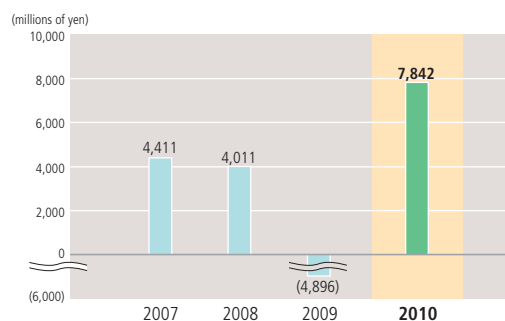
	2010	2009	2010
Years Ended August 31, 2010 and 2009	Millions of Yen		Thousands of U.S. Dollars
Operation Data:			
Net Sales	¥99,459	¥88,323	\$1,176,194
Income (Loss) before Income Taxes	13,590	(7,492)	160,714
Net Income (Loss)	7,842	(4,896)	92,739
Financial Data:			
Total Assets	74,102	68,369	876,325
Net Assets	53,906	47,244	637,488
Per Share Data (Yen and U.S. Dollars):			
Basic Net Income	¥153.40	¥ (95.79)	\$ 1.81
Cash Dividends Applicable to the Year	18.00	18.00	0.21

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥84.56=US\$1, the approximate rate of exchange on August 31, 2010.

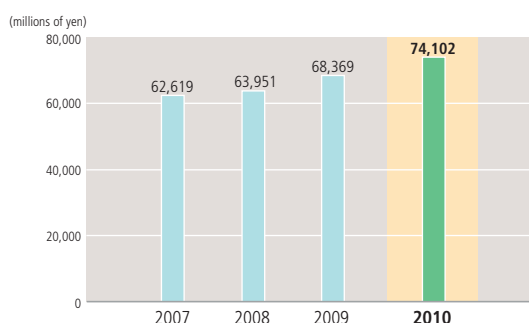
Net Sales



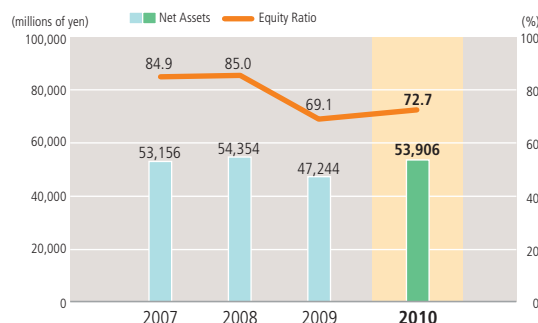
Net Income (Loss)



Total Assets



Net Assets and Equity Ratio



We will build solid profitability and execute new projects for growth.

The fiscal year ended August 31, 2010, had a very difficult business environment. Signs of partial recovery were seen, but consumption continued to be weak, with price competition extending even to industries beyond the restaurant market. In these conditions, Saizeriya worked to improve profitability and strengthen its business base through further advancing the technological levels of its vertical merchandising system. This system is aimed at consistently managing everything from the purchasing of ingredients to the delivery of our products to customers, in order to enhance efficiency and productivity.

In the fiscal year under review, we worked to boost our profitability by entering new trading zones to gain new customers, and by thoroughly improving efficiency further in each stage of our operations: manufacturing, logistics and restaurants. As a result, the Company booked consolidated net sales of 99,459 million yen in the fiscal year under review, up 12.6% from the previous year, and operating income of 14,365 million yen, up 56.7%. Net sales were the highest in the history of the Company, and the 38th consecutive increase since its foundation. Our operating income, ordinary income, and net income were also the highest so far.

During the fiscal year, we were able to obtain human resources and raise capital in order to face the challenges we had set: build the profitability of our restaurant business in Japan, create a business model for our overseas restaurant business, and create thriving restaurants in new operating formats. Aiming at further growth, we will work on new projects we have launched: introducing a new ERP system which is infrastructure for our business development, rebuilding the commissaries which are the pillars of our manufacturing (food processing and logistics plants), etc.

We ask for your understanding of Saizeriya's measures, and look forward to enjoying continued support from you, our shareholders.



Left: **Yasuhiko Shogaki**,
Chairman and Representative Director

Right: **Issei Horino**,
President and Representative Director



Interview with the

In our restaurant business in Japan, we opened our first outlets in the Kyushu area and proceeded to renovate existing outlets.

We opened our first Kyushu outlet in March 2010. Many customers made it a big success from the first day. However, as too many customers were attracted, exceeding the capacity of one restaurant, we rapidly opened more outlets to prevent a drop in service quality, and expanded into four outlets in the cities of Fukuoka and Kitakyushu. As for our existing outlets, to prevent large numbers of outlets from deteriorating at the same time, we actively closed some outlets in advance and worked on renovations. We grew by a net 39 outlets during the fiscal year under review, with 52 new openings and 13 closures.

We aim to achieve a chain of 1,000 outlets in three years. Meanwhile, we are building an organization which can continually implement improvements and can expand stably even after we surpass 1,000 outlets.

We also aim to develop the commissary system in our overseas restaurant business.

In our overseas restaurant business, we ensure the staff of each subsidiary in an overseas region includes two Japanese staff members. These Japanese staff members, who have close familiarity with Saizeriya's philosophy, are able to communicate this philosophy to the local staff that carries out outlet operations while educating the staff on products and services. By doing so, it is possible to raise the quality of local staff and provide a high quality of service. As in Japan, we aim to develop a commissary system in China, which will provide good flavor with consistent quality. To do this, we will first establish an experimental factory in China to discover the issues faced.

We are implementing improvements to boost profitability, unconstrained by existing concepts.

To boost profitability, we cut costs by using manufacturing control technology to eliminate waste in various aspects of manufacturing, logistics and restaurants. We especially investigate areas which tend to be considered as fixed costs and therefore are excluded from cost cutting. With a view that

President

Review of business results for the fiscal year ended August 31, 2010,
and forecast for the fiscal year ending August 31, 2011

reconsiders these as variable costs, we are working to cut costs further. We investigate matters from various angles, review variable costs and fixed costs, and work hard to lower our break-even points.

We are the first restaurant business to implement the concept of R&D to develop and provide innovative products.

We adopted the concept of R&D, which is common for a manufacturer, and aim to continually invest 1% of net sales into R&D. Considering that product development means the development of ingredients themselves, we conduct research starting from ingredients through to their cooking and processing methods to develop and

provide products which others can't imitate. To strengthen our ingredients technologies, we established the Agri Technology Center, which does R&D on the cultivation and processing of agricultural crops, and the Product Development Center, which does R&D on products such as meat handling and hamburgers. We are also investigating the construction of a New Commissary, which will perform the function of R&D on the processing and logistics of food products.

These initiatives help us provide products with greater value at reasonable prices, while maintaining the structure of our vertical merchandising system and boosting the level of its content.



Five-Year Summary

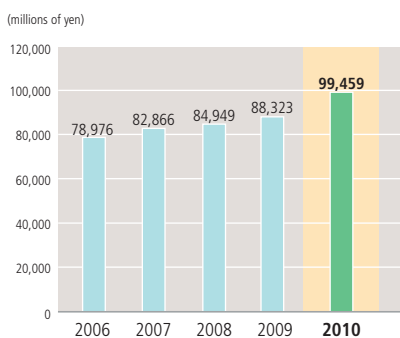
Years ended August 31	Millions of Yen					Thousands of U.S. Dollars ⁽¹⁾
	2006	2007	2008	2009	2010	2010
Net Sales	¥78,976	¥82,866	¥84,949	¥88,323	¥99,459	\$1,176,194
Operating Income	5,616	7,444	7,501	9,168	14,365	169,879
Net Income (Loss)	3,563	4,411	4,011	(4,896)	7,842	92,739
Per Share Data (Yen and U.S. Dollars):						
Net Income (Loss) ⁽²⁾	68.46	84.77	77.86	(95.79)	153.40	1.81
Cash Dividends	13.00	18.00	18.00	18.00	18.00	0.21
Total Assets	¥59,870	¥62,619	¥63,951	¥68,369	¥74,102	\$ 876,325
Long-term Debt	—	—	—	6,930	1,488	17,597
Net Assets	49,267	53,156	54,354	47,244	53,906	637,488
Capital Expenditures	¥ 2,117	¥ 2,796	¥ 3,384	¥ 4,406	¥ 5,140	\$ 60,785
Depreciation and Amortization	2,453	2,410	2,477	2,694	3,023	35,750
Number of Full-time Employees	1,611	1,704	1,481	1,845	2,200	
Number of Restaurants	759	768	775	836	888	

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥84.56=US\$1, the approximate rate of exchange on August 31, 2010.

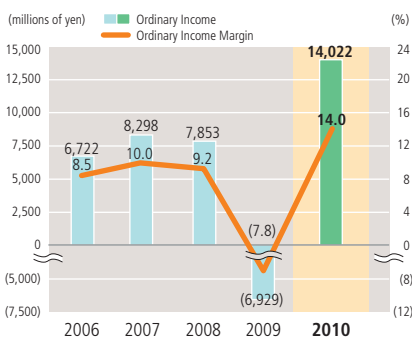
(2) The computation of net income per share is based on the weighted average number of shares outstanding during each year, retroactively adjusted for stock splits.

(3) Yen amounts less than one million yen are omitted; dollar amounts are rounded to the nearest one thousand dollars.

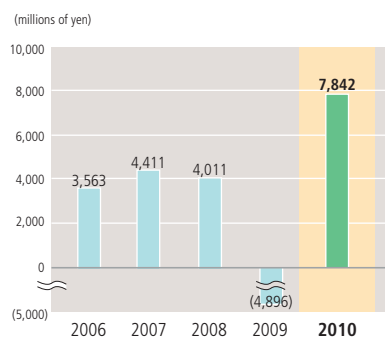
Net Sales



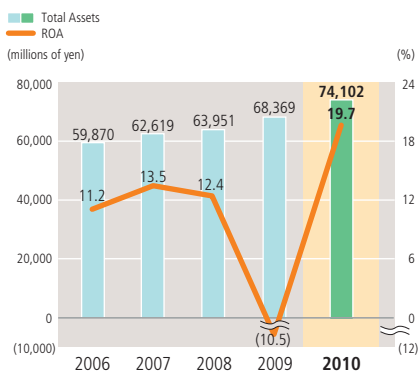
Ordinary Income (Loss) / Ordinary Income Margin



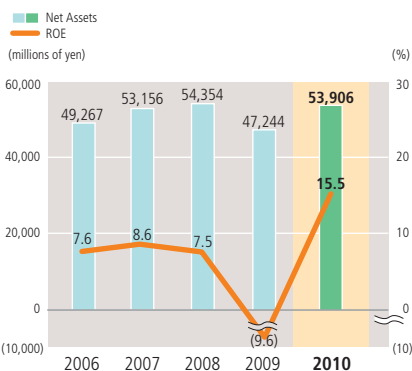
Net Income (Loss)



Total Assets / ROA

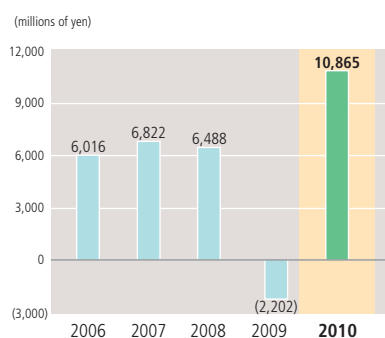


Net Assets / ROE



Cash Flows

(= Net Income (Loss) + Depreciation and Amortization)



Review of Operations

Saizeriya Co., Ltd. and its Consolidated Subsidiaries

Operating Results for this Term

The Japanese economy in the fiscal year under review showed signs of recovery due to growth in exports because of recovery in overseas emerging economies and the effects of government economic policies. However, the effects on the Japanese economy by the progressively stronger yen have begun to create concerns. The future has been unclear throughout this period.

In terms of the dining-out industry, consumer confidence continues to be weak due to insecurities about employment and income, and there is increasingly harsh price competition between companies in an environment of a continuing deflation trend. Companies continued to face a very difficult business environment.

Under these conditions, the Saizeriya Group worked on strengthening its profitability: entering new trading zones to gain new customers, improving its menus, and projects to boost efficiency, etc.

As a result, the Saizeriya Group booked consolidated net sales of ¥99,459 million in the fiscal year under review, operating income of ¥14,365 million, ordinary income of ¥14,022 million, and net income of ¥7,842 million. Net sales were the highest in the history of the Company and the 38th consecutive increase since its foundation. Our operating income, ordinary income, and net income were also the highest so far.

Outlook for the Next Term

It is thought that the economy will continue to face unclear conditions, and the forthcoming term is therefore expected to be a further period of operating within a difficult business environment. Accordingly, our earnings targets are consolidated net sales of ¥102,500 million, operating income of ¥14,600 million, and net income of ¥7,200 million.



Consolidated Balance Sheets

Saizeriya Co., Ltd. and its Consolidated Subsidiaries

August 31, 2010 and 2009	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
ASSETS			
CURRENT ASSETS:			
Cash and deposits with banks	¥22,654	¥14,681	\$267,904
Accounts receivable—tenants	679	526	8,030
Merchandise and finished goods	3,147	2,854	37,216
Raw materials and supplies	536	619	6,339
Deferred tax assets	975	3,748	11,530
Income taxes receivable	—	1,432	—
Other	1,935	1,908	22,883
Total current assets	29,929	25,772	353,938
FIXED ASSETS:			
Tangible fixed assets			
Buildings and structures	18,249	17,502	215,811
Machinery, vehicle and equipment	2,132	2,292	25,213
Furniture and fixtures	1,975	1,458	23,356
Land	5,357	5,363	63,351
Lease assets, net	169	—	1,999
Construction in progress	154	124	1,821
Total tangible fixed assets	28,038	26,741	331,575
Intangible fixed assets	208	234	2,460
Investments and other assets			
Investment securities	2,161	1,532	25,556
Caution and guarantee money	7,411	6,886	87,642
Cooperative advances for construction	3,914	4,557	46,287
Deferred tax assets	45	41	532
Other	2,410	2,620	28,500
Allowance for doubtful accounts	(17)	(17)	(201)
Total investments and other assets	15,924	15,621	188,316
Total fixed assets	44,172	42,596	522,375
TOTAL ASSETS	¥74,102	¥68,369	\$876,325

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥84.56=US\$1, the approximate rate of exchange on August 31, 2010.

(2) The financial statements are translation of Japanese annual security report's financial statement.

August 31, 2010 and 2009	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable—trade	¥ 3,473	¥ 3,315	\$ 41,071
Current portion of long-term loans payable	5,442	5,442	64,357
Lease obligations	7	—	83
Corporation and inhabitants taxes payable	3,152	264	37,275
Accrued bonuses	1,205	759	14,250
Allowance for special benefit for shareholders	207	213	2,448
Derivatives liabilities	782	737	9,248
Other	4,132	3,301	48,865
Total current liabilities	18,403	14,033	217,632
LONG-TERM LIABILITIES:			
Long-term loans payable	1,488	6,930	17,597
Lease obligations	164	—	1,939
Deferred tax liabilities	7	21	83
Other	131	140	1,549
Total long-term liabilities	1,792	7,091	21,192
Total liabilities	20,195	21,125	238,825
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Capital stock	8,612	8,612	101,845
Capital surplus	9,007	9,007	106,516
Retained earnings	36,933	30,011	436,767
Treasury stock	(1,274)	(1,272)	(15,066)
Total shareholders' equity	53,278	46,358	630,061
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	(80)	(86)	(946)
Translation adjustments	686	972	8,113
Total valuation and translation adjustments	606	885	7,167
Subscription rights to shares	21	—	248
Total net assets	53,906	47,244	637,488
TOTAL LIABILITIES AND NET ASSETS	¥74,102	¥68,369	\$876,325

Consolidated Statements of Income

Saizeriya Co., Ltd. and its Consolidated Subsidiaries

Years Ended August 31, 2010 and 2009	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
NET SALES	¥99,459	¥88,323	\$1,176,194
COST OF SALES	32,035	30,250	378,843
Gross profit	67,423	58,072	797,339
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	53,057	48,904	627,448
Operating income	14,365	9,168	169,879
NON-OPERATING INCOME:	260	187	3,075
Interest income	161	154	1,904
Interest on refund	39	—	461
Compensation income	27	—	319
Other	32	33	378
NON-OPERATING EXPENSES:	603	16,286	7,131
Interest expenses	68	80	804
Foreign exchange losses	479	297	5,665
Loss on valuation of derivatives	44	576	520
Loss on derivatives cancellation	—	15,310	—
Other	11	21	130
Ordinary income (loss)	14,022	(6,929)	165,823
SPECIAL INCOME:	51	66	603
Compensation income	51	66	603
SPECIAL LOSS:	482	629	5,700
Impairment loss	106	256	1,254
Loss on retirement of fixed assets	166	216	1,963
Store closure loss	208	155	2,460
Other	—	0	—
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	13,590	(7,492)	160,714
Corporation, inhabitants and enterprise taxes	2,992	439	35,383
Deferred income taxes and other	2,755	(3,035)	32,580
NET INCOME (LOSS)	¥ 7,842	¥ (4,896)	\$ 92,739

Consolidated Statements of Changes in Net Assets

Saizeriya Co., Ltd. and its Consolidated Subsidiaries

Millions of Yen

Year Ended August 31, 2010	Shareholders' equity					Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities (losses)	Translation adjustments	Total valuation and translation adjustments		
BALANCE AS OF AUGUST 31, 2009	¥8,612	¥9,007	¥30,011	¥(1,272)	¥46,358	¥(86)	¥972	¥885	¥—	¥47,244
Changes during the term										
Dividends			(920)		(920)					(920)
Net income			7,842		7,842					7,842
Acquisition of treasury stock				(1)	(1)					(1)
Net changes of items other than shareholders' equity						6	(285)	(278)	21	(257)
Total changes during the term	—	—	6,922	(1)	6,920	6	(285)	(278)	21	6,662
BALANCE AS OF AUGUST 31, 2010	¥8,612	¥9,007	¥36,933	¥(1,274)	¥53,278	¥(80)	¥686	¥606	¥21	¥53,906

Thousands of U.S. Dollars

Year Ended August 31, 2010	Shareholders' equity					Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities (losses)	Translation adjustments	Total valuation and translation adjustments		
BALANCE AS OF AUGUST 31, 2009	\$101,845	\$106,516	\$354,908	\$(15,043)	\$548,226	\$(1,017)	\$11,495	\$10,466	\$ —	\$558,704
Changes during the term										
Dividends			(10,880)		(10,880)					(10,880)
Net income			92,739		92,739					92,739
Acquisition of treasury stock				(12)	(12)					(12)
Net changes of items other than shareholders' equity						71	(3,370)	(3,288)	248	(3,039)
Total changes during the term			81,859	(12)	81,835	71	(3,370)	(3,288)	248	78,784
BALANCE AS OF AUGUST 31, 2010	\$101,845	\$106,516	\$436,767	\$(15,066)	\$630,061	\$ (946)	\$ 8,113	\$ 7,167	\$248	\$637,488

Consolidated Statements of Cash Flows

Saizeriya Co., Ltd. and its Consolidated Subsidiaries

Years Ended August 31, 2010 and 2009	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥13,590	¥ (7,492)	\$160,714
Depreciation	3,023	2,694	35,750
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(0)
Increase in accrued bonuses	446	58	5,274
Decrease in reserve for special benefit for shareholders	(5)	(10)	(59)
Interest income	(161)	(154)	(1,904)
Interest on refund	(39)	—	(461)
Interest expenses	68	80	804
Exchange gain	500	268	5,913
Loss on valuation of derivatives	44	576	520
Loss on derivatives cancellation	—	15,310	—
Loss on retirement of fixed assets	166	216	1,963
Store closure loss	208	155	2,460
Impairment loss	106	256	1,254
Compensation income	(51)	(66)	(603)
Decrease (increase) in accounts receivable—tenants	(153)	76	(1,809)
Increase in inventories	(234)	(158)	(2,767)
Decrease (increase) in other current assets	(64)	70	(757)
Increase (decrease) in accounts payable—trade	171	(114)	2,022
Increase (decrease) in other current liabilities	370	(63)	4,376
Other	480	471	5,676
Subtotal	18,468	12,176	218,401
Interest and dividends received	95	86	1,123
Interest paid	(64)	(86)	(757)
Payments due to cancellation of derivatives transaction	—	(15,310)	—
Payments of income taxes, etc.	(296)	(3,147)	(3,500)
Income taxes refund	1,472	—	17,408
Net cash provided by (used in) operating activities	19,674	(6,281)	232,663
INVESTING ACTIVITIES:			
Purchase of investments in subsidiaries	(622)	(1,087)	(7,356)
Purchase of tangible fixed assets	(4,257)	(3,637)	(50,343)
Purchase of intangible fixed assets	(41)	(44)	(485)
Payments for caution money, guarantee money and cooperative advances for construction	(511)	(629)	(6,043)
Proceeds from collection of caution, guarantee money and cooperative advances for construction	734	289	8,680
Increase in operating loans receivable	—	(100)	—
Payments for other	(26)	(48)	(307)
Net cash used in investing activities	(4,725)	(5,258)	(55,877)
FINANCING ACTIVITIES:			
Proceeds from long-term loans payable	—	16,000	—
Repayment of long-term loans payable	(5,442)	(3,628)	(64,357)
Purchase of treasury stock	(1)	(2)	(12)
Dividends paid	(917)	(917)	(10,844)
Other, net	(14)	—	(166)
Net cash provided by (used in) financing activities	(6,376)	11,452	(75,402)
TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	(600)	(597)	(7,096)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,972	(683)	94,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,681	15,245	173,616
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	—	120	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥22,654	¥ 14,681	\$267,904

Corporate Data & Shareholders' Information

Saizeriya Co., Ltd. and its Consolidated Subsidiaries

Corporate Data

As of August 31, 2010

Company Name	Saizeriya Co., Ltd.
Chairman and Representative Director	Yasuhiko Shogaki
President and Representative Director	Issei Horino
Head Office	2-5, Asahi, Yoshikawa City, Saitama 342-0008, Japan
Established	May 1, 1973
Capital Stock	¥8,612,500,000
Number of Employees	2,200
Number of Outlets	888

Consolidated Subsidiaries

Saizeriya Australia Pty. Ltd.
Shanghai Saizeriya Co., Ltd.
Guangzhou Saizeriya Co., Ltd.

Board of Directors and Statutory Auditors*

Yasuhiko Shogaki Chairman	Sakae Abe Standing Statutory Auditor
Issei Horino President	Tsutomu Okada Statutory Auditor
Nobuyuki Masuoka Director	Yoshiaki Miyazaki Statutory Auditor
Hideharu Matsutani Director	
Noboru Nagaoka Director	
Minoru Orido Director	

*As of November 26, 2010

Shareholders' Information

As of August 31, 2010

Total Number of Shares Authorized	73,208,000
Number of Shares Issued	52,272,342
Shares Listed on	The First Section of the Tokyo Stock Exchange
Number of Shareholders	33,831

Principal Shareholders

	Number of Shares Held (Unit: 1,000 shares)	Percentage of Total Shares (%)
Yasuhiko Shogaki	15,953	30.51
Babette Co., Ltd.	4,455	8.52
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,392	4.57
Japan Trustee Services Bank, Ltd. (Trust Account)	2,202	4.21
Saizeriya Employees' Stock Holding Association	1,914	3.66
Saizeriya Co., Ltd.	1,150	2.20
Kunio Shogaki	899	1.71
DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613	610	1.16
The Nomura Trust and Banking Co., Ltd. (Investment Account)	539	1.03
HAYAT	517	0.98

Ownership of Shares by Category

	Number of Shareholders	Number of Shares Held (Unit: 100 shares)	Percentage of Total Shares (%)
Japanese financial institutions	48	91,370	17.5
Japanese securities companies	28	4,897	0.9
Other Japanese corporations	161	45,836	8.8
Foreign corporations and individuals	170	64,371	12.4
Japanese individuals and others	33,424	314,959	60.4
Total	33,831	521,433	100.0



Saizeriya Co., Ltd.

2-5, Asahi, Yoshikawa City, Saitama 342-0008, Japan

Phone: +81-48-991-9611 Fax: +81-48-991-9637

URL <http://www.saizeriya.co.jp/>