



Annual Report
2013

Year Ended August 31, 2013

Working to deliver high-value meals every day



Since its founding, Saizeriya has worked to provide healthy, tasty Italian food at prices that enable anyone to eat it every day. To accomplish this, we have built up a consistent manufacturing and sales system that covers everything from the purchasing and processing of ingredients to restaurant service, and we provide healthy and safe meals that offer excellent and healthy ingredients while keeping prices reasonable. As casual Italian restaurants that customers enjoy visiting, Saizeriya restaurants will continue to propose delightful ways of enjoying an Italian-style food culture with an à-la-carte ordering system suited to customer requirements.

Basic principles

For People

..... with gratitude and love

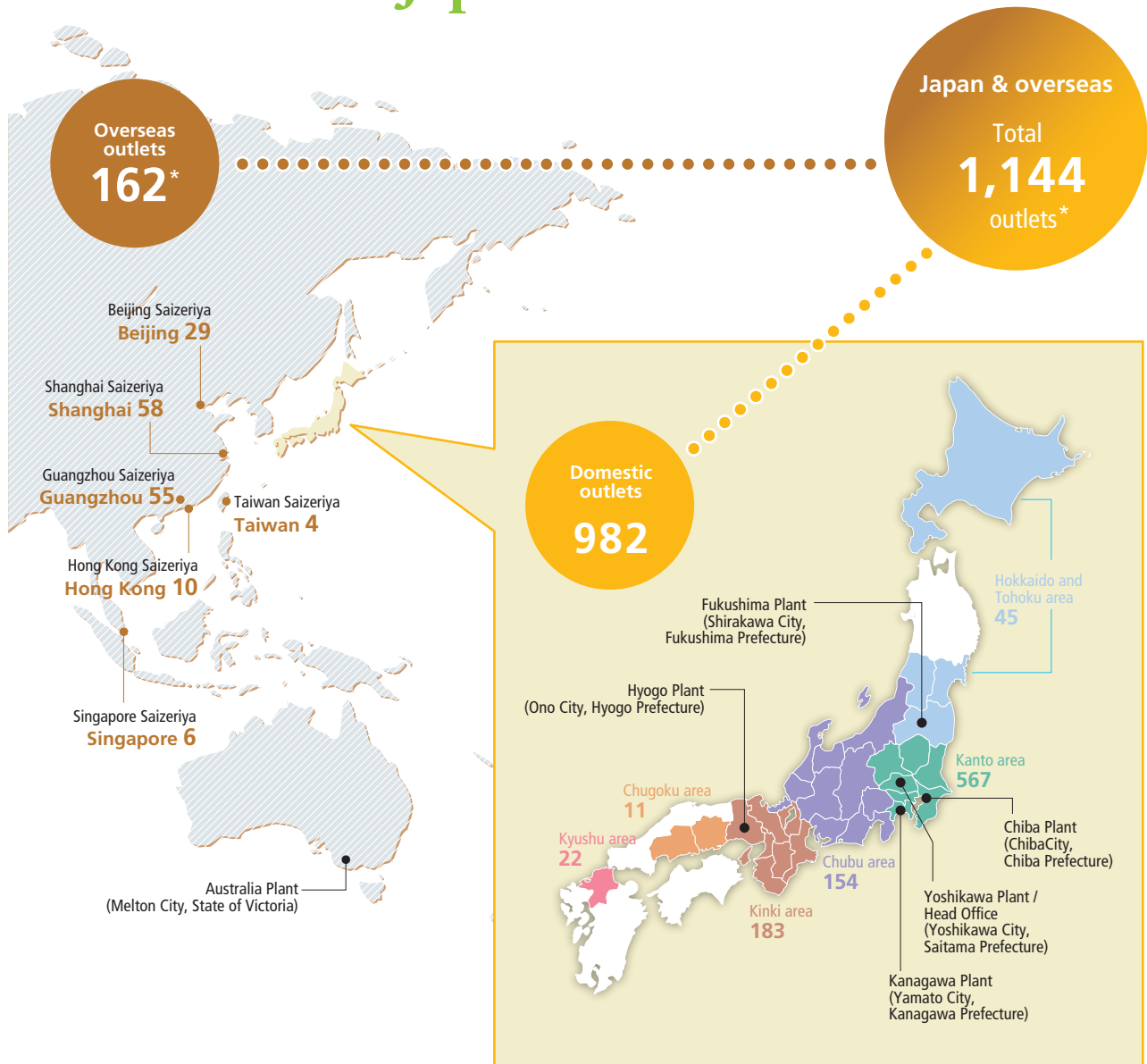
Right-mindedly

..... as fellow people

Harmoniously

..... with the employee, the customer, and society

We have steadily increased the number of outlets both in Japan and overseas.



*Includes number of outlets operated by non-consolidated subsidiaries.

Consolidated Financial Highlights

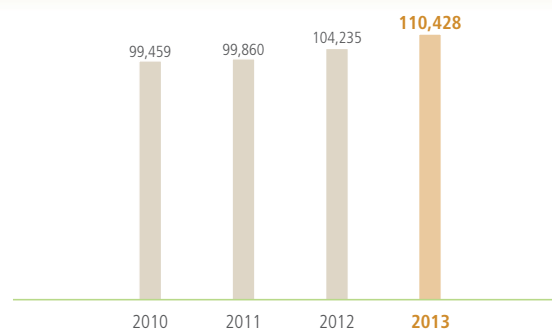
Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

Years Ended August 31, 2013 and 2012	2013	2012	2013
	Millions of Yen		Thousands of U.S. Dollars
Operation Data:			
Net Sales	¥110,428	¥104,235	\$1,122,692
Income before Income Taxes	7,059	9,959	71,767
Net Income	3,937	5,471	40,026
Financial Data:			
Total Assets	87,472	80,316	889,305
Net Assets	67,344	62,968	684,669
Per Share Data (Yen and U.S. Dollars):			
Basic Net Income	¥ 78.06	¥ 108.46	\$ 0.79
Cash Dividends Applicable to the Year	18.00	18.00	0.18

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥98.36=US\$1, the approximate rate of exchange on August 31, 2013.

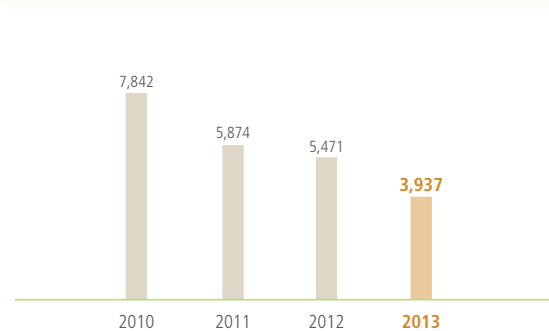
Net Sales

(millions of yen)



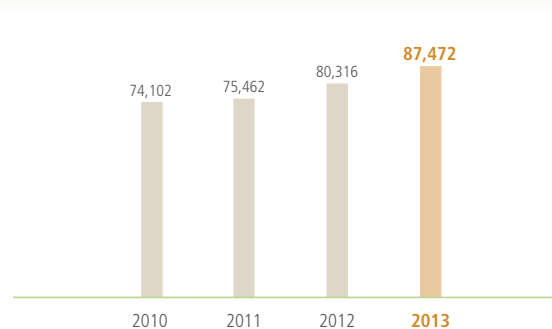
Net Income

(millions of yen)



Total Assets

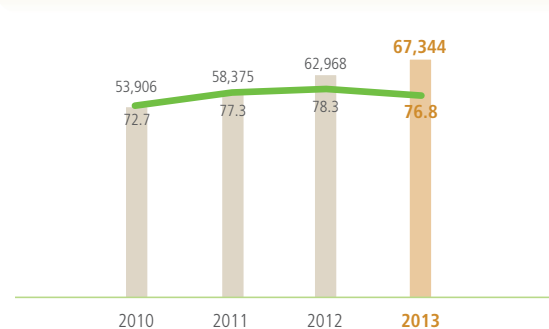
(millions of yen)



Net Assets / Equity Ratio

(millions of yen) ■ Net Assets

— Equity Ratio (%)



We will achieve further growth with a solid business structure by promoting innovation in ways that are both tangible and intangible.

During the fiscal year ended August 31, 2013, a moderate improvement was seen in business confidence, reflecting the accelerating depreciation of the yen and the high stock prices that resulted from the effects, actual and anticipated, of the government's economic policies and the Bank of Japan's monetary policy. In the dining-out industry, the operating environment remained severe, mainly because of the soaring import and raw material prices caused by the yen's depreciation, and intensifying competition including from food service companies outside the restaurant industry. In this environment, Saizeriya worked to perfect a solid business structure able to continue to provide high-quality products at reasonable prices and thereby overcome rising competition.

During the fiscal year under review, we sought to boost profitability further, by actively opening outlets in Japan and overseas, working on a range of other business projects, enhancing in-house training, and taking other action.

As a result of its efforts, the Company posted consolidated net sales of ¥110,428 million in the fiscal year under review, up 5.9% from the previous fiscal year, and operating income of ¥7,547 million, down 23.6%. Despite the harsh business environment, we achieved non-consolidated net sales that surpassed ¥100 billion for the first time.

Among our major projects were the start of operations in January 2013 at the Chiba Plant, our first new commissary (food processing and logistics plant) in a decade, and the launch of a new human resources training program using the service of a consultant. We will target further growth by promoting innovation in ways that are both tangible and intangible.

We ask for your understanding of our efforts, and look forward to enjoying continued support from you, our shareholders.



Yasuhiko Shogaki
Chairman and Representative Director

Issei Horino
President and Representative Director

“We will create new restaurant



We aim to achieve a highly advanced restaurant industry through human resource development that draws on value engineering.

We have consistently focused our efforts on employee training in the belief that the key to distinguishing ourselves from the competition is human resources, whether the competition is from restaurants or other types of food service company. As a new initiative, we have brought in consultants to start educating the trainers who will have the task of embedding in our operations over the next three years the value engineering (VE) already introduced by manufacturers and other companies. Although our plan to educate trainers spans three years, the project to introduce VE has already achieved the major result of halving the kitchen space we utilize.

We have also introduced project management (PM) to swiftly put the solutions derived from VE into practice. These initiatives will promote a highly advanced restaurant industry.

We will promote research by employing research facilities.

At our Chiba Plant, completed in January 2013, we are producing spaghetti sauce with improved quality and cost, achieved by starting the operation of a production line with new technology. We also worked to introduce new technology at our other plants, and will improve the operating ratio while enhancing quality.

As for our outlets, we reviewed their floor structure and hall operations at the Saizeriya Laboratory, which comprises two standard Saizeriya outlets. The project to halve kitchen space was also validated at this laboratory. Our newly established Research & Development Department presented a royalty model at an academic meeting in the United States, where it received a high evaluation. We will continue to actively invest in such initiatives to create new restaurant value.

We achieved our goal of operating a chain of 1,000 outlets nationwide in November 2013.

We accomplished our objective of operating a chain of 1,000 outlets nationwide in November 2013. To reach this goal, we reviewed our mechanism for making

value „



Issei Horino
President and Representative Director

improvements, and we will continue to strengthen it.

Our number of overseas outlets exceeded 160, resulting in the first surplus on an operating basis in overseas business operations. We will continue to open outlets actively. At the same time, we will implement balanced business development, making sure for instance to enhance Head Office capacity to respond to the rising number of outlets.

In terms of new types of outlets, we opened the second outlet of MARIANO SPAGHETTI during the fiscal year under review. We also pushed forward with the development of business categories offering greater convenience with an eye on our competition.

Despite the increasingly severe business environment, including the upcoming hike in the consumption tax, we aim to boost both sales and profits in the fiscal year ending August 31, 2014.

Despite the increasingly harsh business environment, including the upcoming hike in the consumption tax as well as yen depreciation, together with soaring energy costs and raw material prices, we aim to boost

both sales and profits in the fiscal year ending August 31, 2014.

To achieve this, we will capture higher sales through a net increase of 58 outlets in Japan. In addition, at our existing outlets we aim to attract more customers and thereby boost sales by improving menus and taking other actions. Meanwhile, we will seek profit growth through a range of initiatives.

These will include introducing new technology to enhance plant productivity, reviewing new outlet startup procedures to reduce labor costs, and cutting facility expenses by installing kitchens that reduce by half the space required.

While implementing these initiatives, we will continue to actively invest to launch further innovations, and thereby create new restaurant value.



Consolidated Five-Year Summary

Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

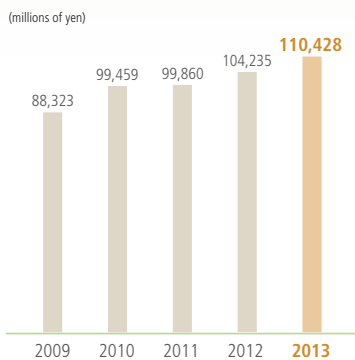
Years ended August 31	Millions of Yen					Thousands of U.S. Dollars ⁽¹⁾
	2009	2010	2011	2012	2013	2013
Net Sales	¥88,323	¥99,459	¥99,860	¥104,235	¥110,428	\$1,122,692
Operating Income	9,168	14,365	11,552	9,884	7,547	76,728
Net Income (Loss)	(4,896)	7,842	5,874	5,471	3,937	40,026
Per Share Data (Yen and U.S. Dollars):						
Basic Net Income (Loss) ⁽²⁾	(95.79)	153.40	115.37	108.46	78.06	0.79
Cash Dividends Applicable to the Year	18.00	18.00	18.00	18.00	18.00	0.18
Total Assets	¥68,369	¥74,102	¥75,462	¥ 80,316	¥ 87,472	\$889,305
Long-term loans payable	6,930	1,488	—	1,510	2,078	21,126
Net Assets	47,244	53,906	58,375	62,968	67,344	684,669
Capital Expenditures	¥ 4,406	¥ 5,140	¥ 5,464	¥ 8,200	¥ 13,700	\$ 139,284
Depreciation and Amortization	2,694	3,023	3,573	3,975	4,974	50,569
Number of Full-time Employees	1,845	2,200	2,423	2,686	3,081	
Number of Restaurants	836	888	947	1,018	1,095	

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥98.36=US\$1, the approximate rate of exchange on August 31, 2013.

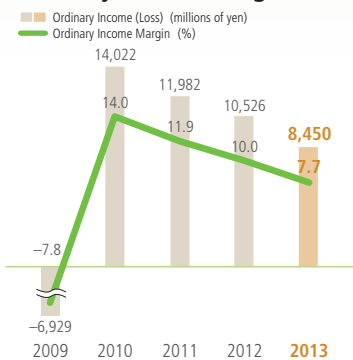
(2) The computation of net income (loss) per share is based on the weighted average number of shares outstanding during each year, retroactively adjusted for stock splits.

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

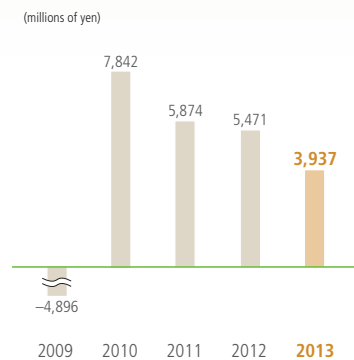
Net Sales



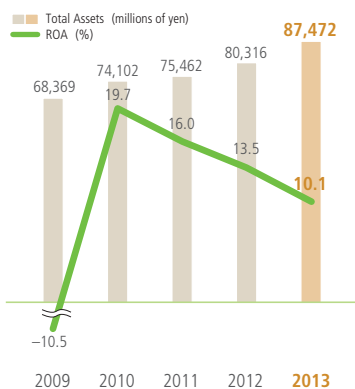
Ordinary Income (Loss) / Ordinary Income Margin



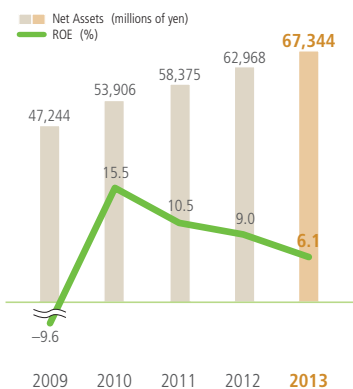
Net Income (Loss)



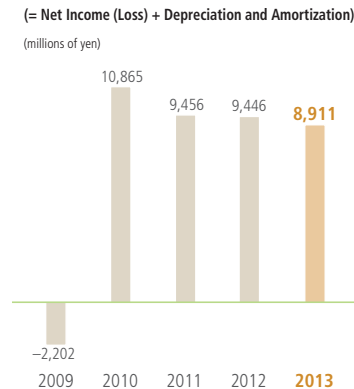
Total Assets / ROA



Net Assets / ROE



Cash Flows



Operating Results for This Term

During the fiscal year ended August 31, 2013, the Japanese economy showed a moderate improvement in business confidence, with the yen's accelerating depreciation and high stock prices reflecting effects and expectations of economic policies under the current government and the Bank of Japan's monetary policy.

In the dining-out industry, the operating environment remained severe, mainly due to the soaring import prices and raw material prices caused by the yen's depreciation, and intensified competition, including from food service companies outside the restaurant industry.

In these circumstances, the Saizeriya Group strove to boost profitability further, mainly by actively opening outlets in Japan and overseas, working on a range of other business projects, and enhancing in-house training.

As a result of its efforts, the Group achieved the highest net sales in its history both in Japan and overseas, posting consolidated net sales of ¥110,428 million, up 5.9% from the previous fiscal year. Operating income, however, was ¥7,547 million, down 23.6%, and ordinary income was ¥8,450 million, down 19.7%. Net income totaled ¥3,937 million, a decline of 28.0%, reflecting an increase in special losses of ¥854 million, mainly due to a rise in impairment loss.

Segment Results

Japan: Our new outlets and strengthened products resulted in total sales of ¥102,263 million and operating income of ¥7,040 million. We achieved non-consolidated net sales of more than ¥100 billion for the first time.

Australia: Many ingredients used by Saizeriya are manufactured locally. In line with sales trends, we achieved ¥4,053 million in total sales and ¥59 million in operating income.

China: Saizeriya focused on attracting new customers and improving awareness of our brand through opening new outlets. Total sales amounted to ¥7,948 million, and operating income to ¥433 million.

Outlook for the Next Term

During the forthcoming fiscal year, we anticipate that the economy will continue to move toward a recovery, but at the same time the consumption tax hike starting in April 2014 will have an impact on consumer confidence and the difficult operating environment will continue. Accordingly, we forecast consolidated net sales of ¥118,800 million, operating income of ¥8,700 million, and net income of ¥5,100 million.

Consolidated Balance Sheets

Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

August 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
ASSETS			
CURRENT ASSETS:			
Cash and deposits with banks	¥17,988	¥18,000	\$182,879
Accounts receivable—tenants	1,254	921	12,749
Marketable securities	—	1,000	—
Merchandise and finished goods	4,666	3,551	47,438
Raw materials and supplies	849	495	8,632
Deferred tax assets	613	823	6,232
Other	2,644	2,547	26,881
Total current assets	28,016	27,339	284,831
FIXED ASSETS:			
Tangible fixed assets			
Buildings and structures	26,038	21,517	264,721
Machinery, vehicle and equipment	3,563	2,260	36,224
Furniture and fixtures	4,542	2,688	46,177
Land	6,954	6,682	70,699
Lease assets, net	141	150	1,434
Construction in progress	842	2,557	8,560
Total tangible fixed assets	42,082	35,858	427,837
Intangible fixed assets	605	496	6,151
Investments and other assets			
Investment securities	2,617	2,700	26,606
Caution and guarantee money	8,730	8,227	88,756
Cooperative advances for construction	2,174	2,725	22,102
Deferred tax assets	1,062	707	10,797
Other	2,200	2,277	22,367
Allowance for doubtful accounts	(15)	(16)	(153)
Total investments and other assets	16,768	16,622	170,476
Total fixed assets	59,456	52,976	604,473
TOTAL ASSETS	¥87,472	¥80,316	\$889,305

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥98.36=US\$1, the approximate rate of exchange on August 31, 2013.
(2) The financial statements are a translation of the Japanese annual securities report's financial statements.

August 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable—trade	¥ 4,426	¥ 3,805	\$ 44,998
Current portion of long-term loans payable	4,013	1,992	40,799
Lease obligations	8	8	81
Corporation and inhabitants taxes payable	1,224	1,787	12,444
Accrued bonuses	1,081	1,203	10,990
Allowance for special benefit for shareholders	227	238	2,308
Asset retirement obligations	21	27	214
Derivatives liabilities	71	161	722
Other	4,224	4,026	42,944
Total current liabilities	15,298	13,250	155,531
LONG-TERM LIABILITIES:			
Long-term loans payable	2,078	1,510	21,126
Lease obligations	139	148	1,413
Asset retirement obligations	2,563	2,380	26,057
Other	46	58	468
Total long-term liabilities	4,829	4,097	49,095
Total liabilities	20,127	17,348	204,626
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Capital stock	8,612	8,612	87,556
Capital surplus	9,007	9,007	91,572
Retained earnings	49,481	46,451	503,060
Treasury stock	(2,211)	(2,211)	(22,479)
Total shareholders' equity	64,889	61,860	659,709
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(35)	(61)	(356)
Translation adjustments	2,333	1,053	23,719
Total accumulated other comprehensive income	2,298	992	23,363
Subscription rights to shares	157	115	1,596
Total net assets	67,344	62,968	684,669
TOTAL LIABILITIES AND NET ASSETS	¥87,472	¥80,316	\$889,305

Consolidated Statements of Income

Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

Years Ended August 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
NET SALES	¥110,428	¥104,235	\$1,122,692
COST OF SALES	38,250	34,522	388,878
Gross profit	72,178	69,713	733,815
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	64,630	59,828	657,076
Operating income	7,547	9,884	76,728
NON-OPERATING INCOME:	938	657	9,536
Interest income	207	208	2,105
Foreign exchange gains	640	162	6,507
Gain on valuation of derivatives	—	183	—
Compensation income	19	18	193
Other	71	85	722
NON-OPERATING EXPENSES:	36	15	366
Interest expenses	11	8	112
Loss on valuation of derivatives	20	—	203
Other	4	7	41
Ordinary income	8,450	10,526	85,909
SPECIAL INCOME:	64	34	651
Compensation income	64	34	651
SPECIAL LOSS:	1,455	600	14,793
Impairment loss	664	396	6,751
Loss on retirement of fixed assets	139	115	1,413
Loss on stocks of subsidiaries and affiliates	540	—	5,490
Store closure loss	110	81	1,118
Other	—	7	—
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,059	9,959	71,767
Corporation, inhabitants and enterprise taxes	3,277	4,266	33,316
Deferred income taxes and other	(156)	221	(1,586)
NET INCOME	¥ 3,937	¥ 5,471	\$ 40,026

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Consolidated Statement of Changes in Net Assets

Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

Millions of Yen

Year Ended August 31, 2013	Shareholders' equity					Accumulated other comprehensive income			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	Translation adjustments	Total accumulated other comprehensive income		
BALANCE AS OF SEPTEMBER 1, 2012	¥8,612	¥9,007	¥46,451	¥(2,211)	¥61,860	¥(61)	¥1,053	¥ 992	¥115	¥62,968
Changes during the term										
Dividends			(908)		(908)					(908)
Net income			3,937		3,937					3,937
Acquisition of treasury stock				(0)	(0)					(0)
Net changes of items other than shareholders' equity						25	1,280	1,305	41	1,347
Total changes during the term	—	—	3,029	(0)	3,029	25	1,280	1,305	41	4,376
BALANCE AS OF AUGUST 31, 2013	¥8,612	¥9,007	¥49,481	¥(2,211)	¥64,889	¥(35)	¥2,333	¥2,298	¥157	¥67,344

Thousands of U.S. Dollars

Year Ended August 31, 2013	Shareholders' equity					Accumulated other comprehensive income			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	Translation adjustments	Total accumulated other comprehensive income		
BALANCE AS OF SEPTEMBER 1, 2012	\$87,556	\$91,572	\$472,255	\$(22,479)	\$628,914	\$(620)	\$10,706	\$10,095	\$1,169	\$640,179
Changes during the term										
Dividends			(9,231)		(9,231)					(9,231)
Net income			40,026		40,026					40,026
Acquisition of treasury stock				(0)	(0)					(0)
Net changes of items other than shareholders' equity						254	13,013	13,268	417	13,695
Total changes during the term	—	—	30,795	(0)	30,795	254	13,013	13,268	417	44,490
BALANCE AS OF AUGUST 31, 2013	\$87,556	\$91,572	\$503,060	\$(22,479)	\$659,709	\$(356)	\$23,719	\$23,363	\$1,596	\$684,669

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥98.36=US\$1, the approximate rate of exchange on August 31, 2013.
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Consolidated Statements of Cash Flows

Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

Years Ended August 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,059	¥ 9,959	\$ 71,767
Depreciation and amortization	4,974	3,975	50,569
Decrease in allowance for doubtful accounts	12	(0)	122
Increase in accrued bonuses	(127)	(50)	(1,291)
Increase (decrease) in reserve for special benefit for shareholders	(11)	(20)	(112)
Interest income	(207)	(208)	(2,105)
Interest expenses	11	8	112
Exchange gain	(635)	(170)	(6,456)
Loss on valuation of derivatives	20	(183)	203
Loss on retirement of fixed assets	139	115	1,413
Loss on valuation of stocks of subsidiaries and affiliates	540	—	5,490
Store closure loss	110	81	1,118
Impairment loss	664	396	6,751
Compensation income	(64)	(34)	(651)
Increase in accounts receivable—tenants	(332)	(114)	(3,375)
Increase in inventories	(1,382)	(98)	(14,050)
Increase in other current assets	(236)	(317)	(2,399)
Increase in accounts payable—trade	510	(0)	5,185
Increase in other current liabilities	30	276	305
Other	(11)	57	(112)
Subtotal	11,065	13,672	112,495
Interest and dividends received	143	143	1,454
Interest paid	(11)	(7)	(112)
Payments of income taxes, etc.	(3,859)	(6,082)	(39,233)
Net cash provided by operating activities	7,337	7,725	74,593
INVESTING ACTIVITIES:			
Purchase of investments in subsidiaries	(417)	(197)	(4,240)
Payments into time deposits	(70)	—	(712)
Proceeds from withdrawal of long-term time deposits	—	2,000	—
Purchase of tangible fixed assets	(10,709)	(9,639)	(108,876)
Purchase of intangible fixed assets	(242)	(153)	(2,460)
Payments for caution money, guarantee money and cooperative advances for construction	(738)	(678)	(7,503)
Proceeds from collection of caution, guarantee money and cooperative advances for construction	861	781	8,754
Payments of loans receivable	—	(75)	—
Increase in operating loans receivable	175	70	1,779
Other payments	(70)	89	(712)
Net cash used in investing activities	(11,213)	(7,803)	(114,000)
FINANCING ACTIVITIES:			
Proceeds from long-term loans payable	5,000	4,000	50,834
Repayment of long-term loans payable	(2,409)	(1,986)	(24,492)
Purchase of treasury stock	(0)	(0)	(0)
Dividends paid	(906)	(905)	(9,211)
Net cash provided by financing activities	1,683	1,108	17,111
TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS			
	1,100	152	11,183
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(1,091)	1,183	(11,092)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
	19,000	17,816	193,168
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
	¥17,908	¥19,000	\$182,066

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥98.36=US\$1, the approximate rate of exchange on August 31, 2013.
(2) The financial statements are a translation of the Japanese annual securities report's financial statements.

Corporate Data & Shareholders' Information

Saizeriya Co., Ltd. and Its Consolidated Subsidiaries

Corporate Data

As of August 31, 2013

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	3,081
Number of Outlets	1,095

Consolidated Subsidiaries

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

Board of Directors and Statutory Auditors*

Yasuhiko Shogaki Chairman	Ryohei Shibata 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 27, 2013

Shareholders' Information

As of August 31, 2013

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	43,046

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
Saizeriya Employees' Stock Holding Association	2,456	4.69
Saizeriya Co., Ltd.	1,825	3.49
Japan Trustee Services Bank, Ltd. (Trust Account)	1,502	2.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,244	2.38
Goldman Sachs international	1,086	2.07
Keiko Shogaki	453	0.86
THE BANK OF NEW YORK- JASDECTREATY ACCOUNT	438	0.83
STATE STREET BANK AND TRUST COMPANY 505103	349	0.66

Ownership of Shares by Category

	Number of Shareholders	Number of Shares Held* (Unit: 100 shares)	Percentage of Total Shares (%)
Japanese financial institutions	33	5,545,900	10.6
Japanese securities companies	22	215,500	0.4
Other Japanese corporations	197	4,586,900	8.8
Overseas corporations and individuals	163	6,522,900	12.5
Japanese individuals and others	42,631	35,290,000	67.7
Total	43,046	52,161,200	100.0

*Odd-lot shares are excluded.



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