

Annual Report 2016

Year ended August 31, 2016



Our mission

“La Buona Tavola”



Our mission calls for a restaurant that brings joy and happiness to all customers and employees.

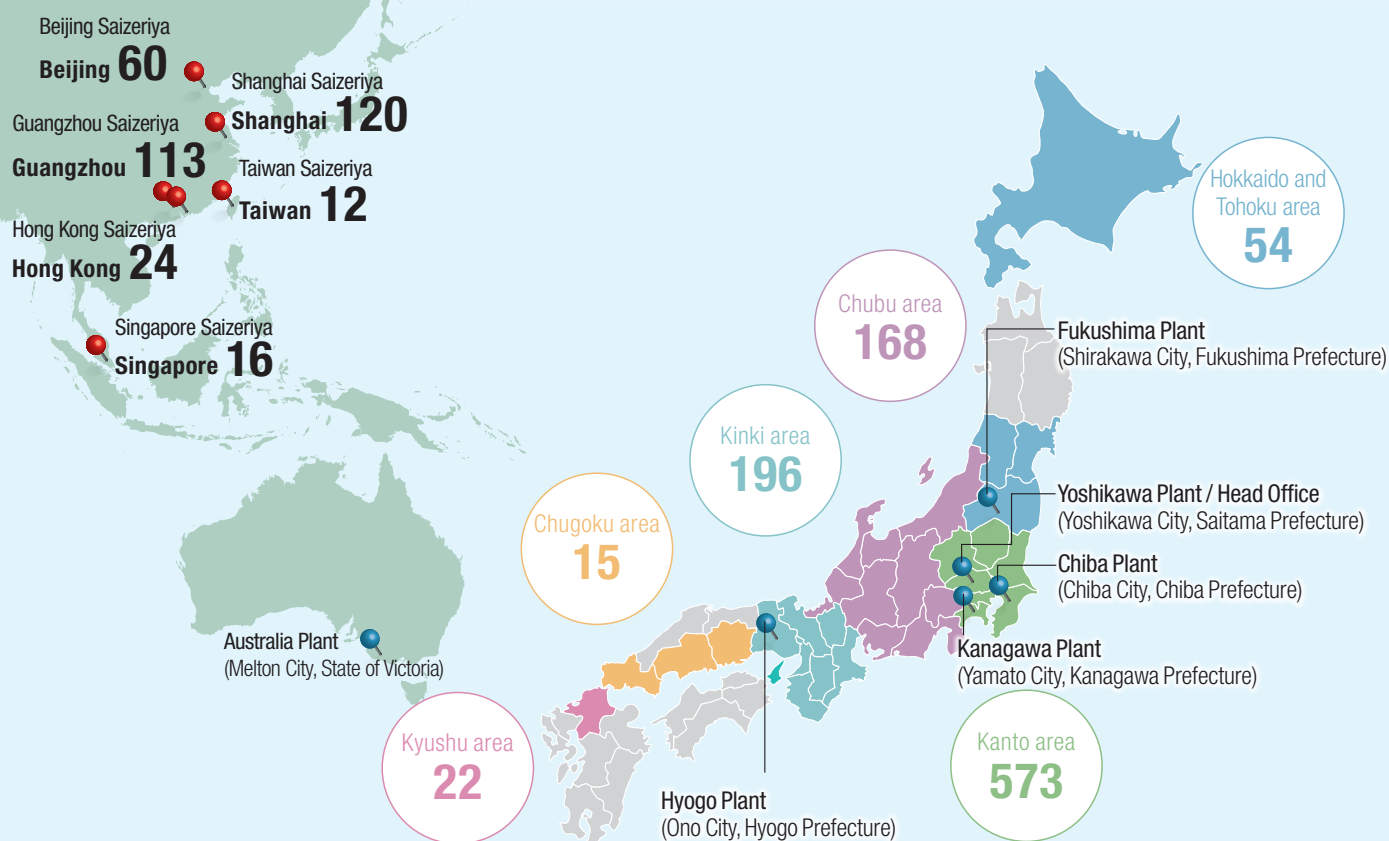
Our Principle

**For People
Through Right Way
With Love**

The number of restaurants

Domestic outlets	1,028
Overseas outlets	345
Japan & overseas total	1,373

As of August 31, 2016



NEW OPENINGS

New outlets opened one after another!

- 2016.Jul. 21 LAKE WALK Okaya (Nagano Prefecture)
- 2016.Jul. 28 Ito Yokado Yotsugi (Tokyo)
- 2016.Jul. 29 Ito Yokado Mizonokuchi (Kanagawa Prefecture)
- 2016.Aug. 04 Ito Yokado Kasai (Tokyo)
- 2016.Aug. 25 Odawara Dia-gai (Kanagawa Prefecture)
- 2016.Aug. 26 Ito Yokado Tsurumi (Kanagawa Prefecture)
- 2016.Sep. 08 Ichikawa SHOPS (Chiba Prefecture)
- 2016.Sep. 08 OBP TWIN21 (Osaka)
- 2016.Sep. 10 Kusatsu A SQUARE (Shiga Prefecture)
- 2016.Sep. 15 SunnysideMALL KOKURA (Fukuoka Prefecture)



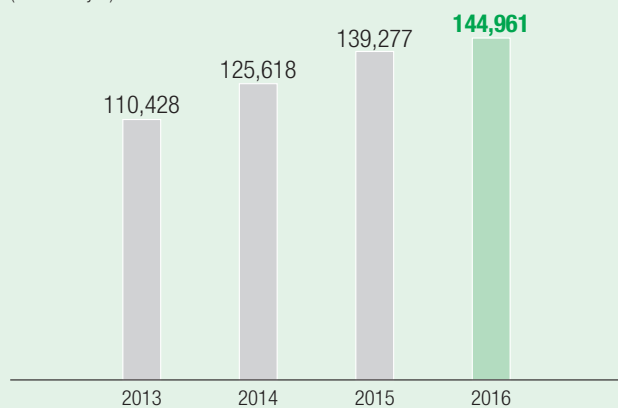
Consolidated Financial Highlights

Years Ended August 31, 2016 and 2015	2016	2015	2016
	Millions of Yen		Thousands of U.S. Dollars
Operational Data:			
Net Sales	¥144,961	¥139,277	\$1,404,933
Income before Income Taxes and Minority Interests	8,679	6,287	84,115
Profit Attributable to Owners of Parent	5,505	3,774	53,353
Financial Data:			
Total Assets	92,463	95,485	896,133
Net Assets	72,663	72,424	704,235
Per Share Data (Yen and U.S. Dollars):			
Net Income per Share	¥108.65	¥74.70	\$1.05
Dividends per Share	18.00	18.00	0.17

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥103.18=US\$1, the approximate rate of exchange on August 31, 2016.

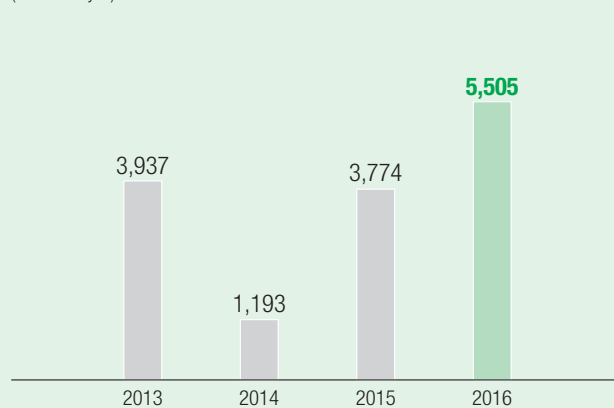
Net Sales

(millions of yen)



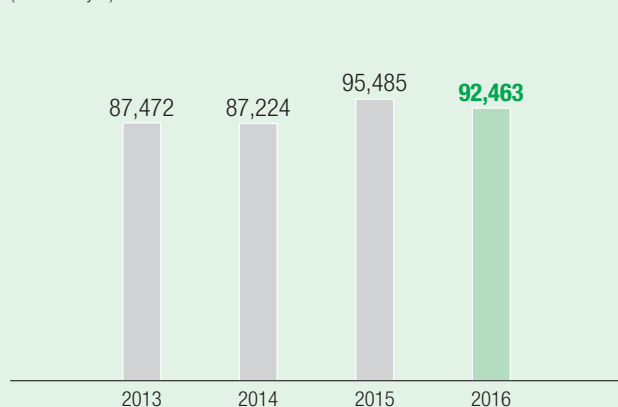
Profit Attributable to Owners of Parent

(millions of yen)



Total Assets

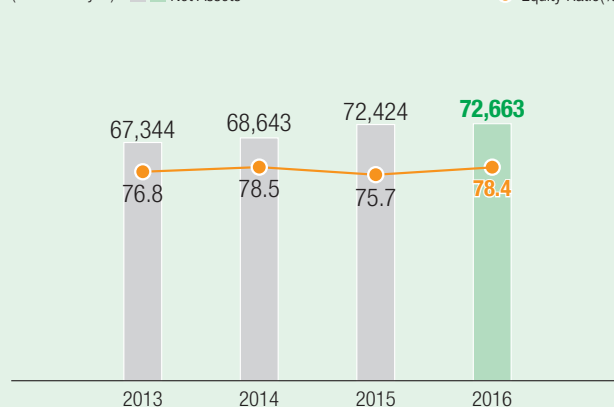
(millions of yen)



Net Assets / Equity Ratio

(millions of yen)

■ Net Assets ● Equity Ratio(%)



Implementing innovation in both hardware and software to build a solid corporate system



Yasuhiko Shougaki
Chairman and Representative Director

Issei Horino
President and Representative Director

For the dining-out industry, the challenging environment continued due to labor shortage, rises in personnel expenses, and surging vegetable prices caused by unfavorable weathers. Against this background, Saizeriya pursued the building of a solid corporate system in order to continue the steady provision of high quality products and services to our customers.

For the results of the current fiscal year, the Company achieved an increase in both sales and income for the second year in a row, with a consolidated net sales of ¥144.9 billion (up 4.1% from the previous fiscal year), operating income of ¥9.0 billion (up 19.9%). New outlets overseas and existing outlets in Japan contributed to the increase in sales, achieving record-high net sales and number of customers. The main reasons for the strong performance include improved domestic costs due to yen appreciation, as well as the effects of our ongoing service improvement efforts since the previous fiscal year, and effective measures against stores with deficit.

In the next term, the Company will implement innovation in both hardware and software for a further leap forward. As a major effort, we will focus on capital investment in parts that are visible to customers, including renovation of outlets and improvement of cooking methods. In addition, we will continue to increase productivity of plants and farms, implement initiatives against waste loss, and work on energy saving and environmental measures. Taking into consideration the effects on the environment, society and economy our business activities have, we strive to operate with corporate sustainability in mind.

We seek your continued understanding of our efforts, and we look forward to the continued support of our shareholders.

“Saizeriya is launching a variety

Issei Horino

President and Representative Director

Business in Japan

We are striving to become a restaurant where customers leave with a smile on their faces

Regarding the restaurant business in Japan in the next term, we will pay special attention to changes that are visible and noticeable to customers, and launch a variety of measures.

Specifically, we will promote capital investment in our outlets to increase customer convenience. As for our products, in an aim for product quality, we will change the cooking methods in all our outlets, one by one. Also, at our plants, we will conduct capital investment to change production methods and improve yields for the purpose of increasing productivity. By eliminating the unnecessary elements in the production process, we will strive to enhance product freshness and food presentation.

New business format

We are expanding the number of outlets

Regarding the new business format in Japan, we developed new products that are sure to meet our expectations.

Location has been selected, and we are commencing the design of outlets and operations.

We are seeking after the stylishness that has not been offered by existing Saizeriya outlets, targeting a new customer base.



of measures to speed up growth.”

Overseas business

We aim to localize business models

Regarding our overseas business, we have been operating based on the business model originating in Japan.

Aiming at further growth, we believe that it is essential for the business model to adapt to local practices. We will come up with opening strategy to accommodate local lifestyles as well as our product strategy to increase the frequency of customer visit. In addition, we will develop standards for services and quality based on the values of locals.

Personnel and organization development

We aim to develop into an organization that enhances individual abilities and facilitates their demonstration

We will increase our investment in training.

Until now, training has only been available to a selected few employees of middle management or above. Now, it has been expanded to cover all managers.

It also has been limited to technical training, but now we will include training that improves the human skills of employees.

As part of the efforts to provide an optimal environment for the demonstration of abilities, we will innovate our personnel system. In the new system, fairness and transparency as well as the motivation of individual employees will be greatly enhanced. By introducing this system where individuals can demonstrate their strengths, we will strive for a solid organization.



Consolidated Five-Year Summary

Years ended August 31	Millions of Yen					Thousands of U.S. Dollars ⁽¹⁾	
	2012	2013	2014	2015	2016	2016	
Net Sales	¥104,235	¥110,428	¥125,618	¥139,277	¥144,961	\$1,404,933	
Operating Income	9,884	7,547	5,488	7,511	9,006	87,284	
Profit Attributable to Owners of Parent	5,471	3,937	1,193	3,774	5,505	53,353	
Per Share Data (Yen and U.S. Dollars):							
Basic Net Income ⁽²⁾	108.46	78.06	23.65	74.70	108.65	1.05	
Cash Dividends Applicable to the Year	18.00	18.00	18.00	18.00	18.00	0.17	
Total Assets	¥ 80,316	¥ 87,472	¥ 87,224	¥ 95,485	¥ 92,463	\$896,133	
Long-Term Loans Payable	1,510	2,078	—	—	—	—	
Net Assets	62,968	67,344	68,643	72,424	72,663	704,235	
Capital Expenditures	¥ 8,200	¥ 13,700	¥ 8,660	¥5,970	¥5,442	\$52,743	
Depreciation and Amortization	3,975	4,974	5,996	5,946	5,843	56,629	
Number of Full-Time Employees	2,686	3,081	4,104	4,391	4,290		
Number of Restaurants	1,018	1,095	1,248	1,361	1,373		

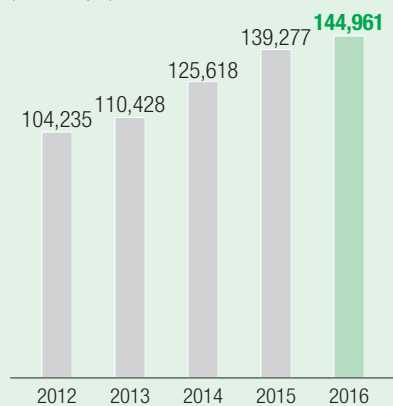
Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥103.18=US\$1, the approximate rate of exchange on August 31, 2016.

(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.

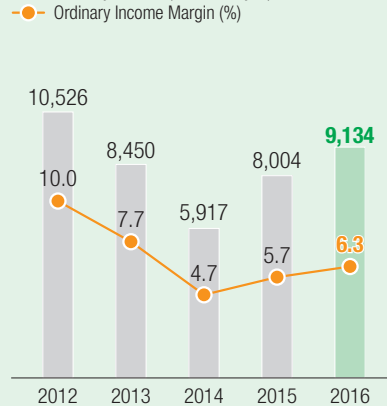
Net Sales

(millions of yen)



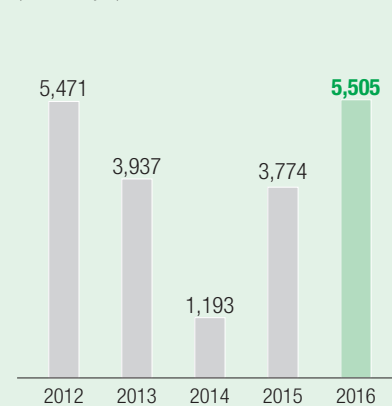
Ordinary Income / Ordinary Income Margin

Legend:
■ Ordinary Income (millions of yen)
● Ordinary Income Margin (%)



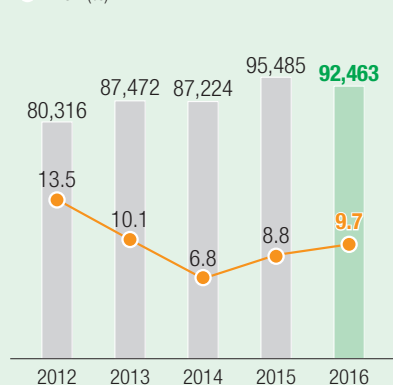
Profit Attributable to Owners of Parent

(millions of yen)



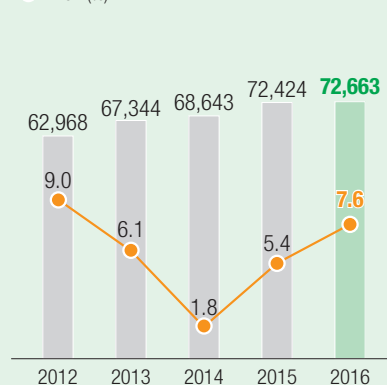
Total Assets / ROA

Legend:
■ Total Assets (millions of yen)
● ROA (%)



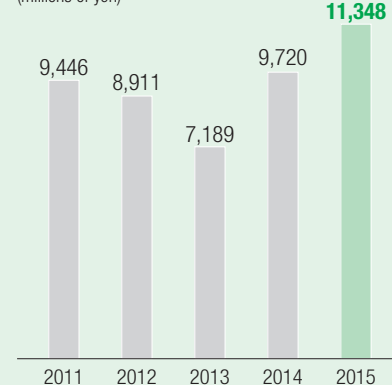
Net Assets / ROE

Legend:
■ Net Assets (millions of yen)
● ROE (%)

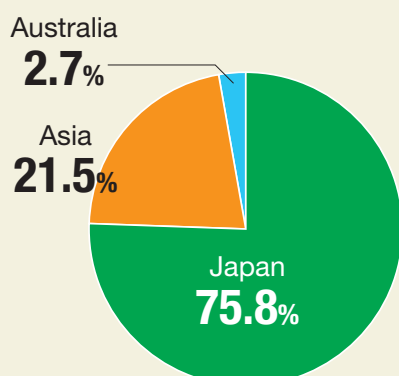


Cash Flows

(= Net Income + Depreciation and Amortization)
(millions of yen)



Segment Results



Japan

Our efforts to strengthen the operation of existing outlets including the service improvements from the customers' perspective resulted in total sales of ¥112,865 million (up 2.7% from the previous fiscal year) and operating income of ¥6,613 million (up 40.2%).

Australia

Many ingredients used by Saizeriya are manufactured in Australia. In line with the sales trends of the Company, we achieved ¥4,037 million in total sales (down 15.2% from the previous fiscal year) and ¥129 million in operating income (down 61.1%).

Asia

Amidst the slowdown of sales and the surge in personnel expenses caused by the stagnant Chinese economy, Saizeriya focused on attracting new customers and improving awareness of our brand through opening new outlets. As a result, total sales amounted to ¥32,060 million (up 9.4% from the previous fiscal year) and operating income was ¥2,185 million (down 13.3%).

Outlook for the Next Term

The forthcoming fiscal year is expected to bring a continued gradual economic recovery due to the effects of economic and monetary policies, and the boost brought about by the Tokyo Olympic and Paralympic Games. However, the situation remains unclear due to problems such as concerns about the slowdown of the overseas economy, the surge in personnel expenses and staffing risks. Accordingly, we forecast consolidated net sales of ¥145.7 billion, operating income of ¥9.3 billion, ordinary income of ¥9.5 billion, and net income attributable to owners of parent of ¥5.7 billion.

Consolidated Balance Sheets

August 31, 2016 and 2015	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS			
CURRENT ASSETS:			
Cash and deposits with banks	¥30,217	¥24,113	\$292,857
Accounts receivable—tenants	1,120	1,041	10,855
Securities	—	4,000	—
Merchandise and finished goods	4,704	6,200	45,590
Raw materials and supplies	959	1,070	9,294
Deferred tax assets	614	569	5,951
Other	2,750	2,925	26,652
Total current assets	40,367	39,920	391,229
FIXED ASSETS:			
Tangible fixed assets			
Buildings and structures	24,395	26,060	236,431
Machinery, vehicle and equipment	2,156	2,610	20,896
Furniture and fixtures	4,047	4,644	39,223
Land	6,932	6,952	67,184
Lease assets, net	113	122	1,095
Construction in progress	263	417	2,549
Total tangible fixed assets	37,908	40,807	367,397
Intangible fixed assets	1,022	992	9,905
Investments and other assets			
Investment securities	339	339	3,286
Caution and guarantee money	9,656	9,757	93,584
Cooperative advances for construction	976	1,290	9,459
Deferred tax assets	1,834	1,990	17,775
Other	372	402	3,605
Allowance for doubtful accounts	(14)	(14)	(136)
Total Intangible fixed assets and investments and other assets	13,164	13,765	127,583
Total fixed assets	52,095	55,565	504,894
TOTAL ASSETS	¥92,463	¥95,485	\$896,133

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥103.18=US\$1, the approximate rate of exchange on August 31, 2016.
(2) The financial statements are a translation of the Japanese annual securities report's financial statements.

August 31, 2016 and 2015	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
	2016	2015	2016
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable–trade	¥ 5,027	¥ 5,302	\$ 48,721
Current portion of long-term loans payable	485	3,008	4,701
Lease obligations	8	8	78
Income taxes payable	1,918	1,720	18,589
Accrued bonuses	1,433	1,299	13,888
Allowance for special benefit for shareholders	160	142	1,551
Asset retirement obligations	30	6	291
Derivatives liabilities	144	—	1,396
Other	6,185	6,612	59,944
Total current liabilities	15,393	18,100	149,186
LONG-TERM LIABILITIES:			
Long-term loans payable	—	485	—
Lease obligations	113	122	1,095
Deferred tax liabilities	35	30	339
Asset retirement obligations	3,933	3,916	38,118
Other	323	407	3,130
Total long-term liabilities	4,406	4,961	42,702
Total liabilities	19,799	23,061	191,888
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Capital stock	8,612	8,612	83,466
Capital surplus	9,215	9,209	89,310
Retained earnings	56,967	52,376	552,113
Treasury stock	(3,243)	(1,986)	(31,431)
Total shareholders' equity	71,552	68,212	693,468
Accumulated other comprehensive income			
Translation adjustments	985	4,102	9,546
Total accumulated other comprehensive income	985	4,102	9,546
Subscription rights to shares	126	109	1,221
Total net assets	72,663	72,424	704,235
TOTAL LIABILITIES AND NET ASSETS	¥92,463	¥95,485	\$896,133

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Years Ended August 31, 2016 and 2015	2016	2015	2016
NET SALES	¥144,961	¥139,277	\$1,404,933
COST OF SALES	53,398	52,058	517,523
Gross profit	91,563	87,219	887,410
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	82,557	79,707	800,126
Operating income	9,006	7,511	87,284
NON-OPERATING INCOME:	340	511	3,295
Interest income	217	239	2,103
Foreign exchange gain	—	68	—
Compensation income	46	119	446
Gain on valuation of derivatives	—	13	—
Other	76	70	737
NON-OPERATING EXPENSES:	212	18	2,055
Interest expenses	5	9	48
Foreign exchange loss	40	—	388
Loss on valuation of derivatives	144	—	1,396
Other	21	9	204
Ordinary income	9,134	8,004	88,525
SPECIAL INCOME:	177	181	1,715
Compensation income	174	148	1,686
Gain on reversal of subscription rights to shares	3	32	29
SPECIAL LOSS:	632	1,898	6,125
Impairment loss	541	1,787	5,243
Loss on retirement of fixed assets	77	82	746
Store closure loss	14	28	136
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	8,679	6,287	84,115
Current income taxes	3,071	2,827	29,764
Deferred income taxes	102	(314)	989
Total income taxes	3,173	2,513	30,752
Net income	5,505	3,774	53,353
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 5,505	¥ 3,774	\$ 53,353

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥103.18=US\$1, the approximate rate of exchange on August 31, 2016.
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Consolidated Statement of Changes in Net Assets

Millions of Yen

Year Ended August 31, 2016	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Translation adjustments	Total accumulated other comprehensive income		
BALANCE AS OF SEPTEMBER 1, 2015	¥8,612	¥9,209	¥52,376	¥(1,986)	¥68,212	¥ 4,102	¥ 4,102	¥109	¥72,424
Changes during the term									
Dividends			(914)		(914)				(914)
Profit attributable to owners of parent			5,505		5,505				5,505
Acquisition of treasury stock				(1,471)	(1,471)				(1,471)
Disposal of treasury stock		6		213	220				220
Net changes of items other than shareholders' equity						(3,117)	(3,117)	17	(3,099)
Total changes during the term	—	6	4,590	(1,257)	3,339	(3,117)	(3,117)	17	239
BALANCE AS OF AUGUST 31, 2016	¥8,612	¥9,215	¥56,967	¥(3,243)	¥71,552	¥ 985	¥ 985	¥126	¥72,663

Thousands of U.S. Dollars (Note 1)

Year Ended August 31, 2016	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Translation adjustments	Total accumulated other comprehensive income		
BALANCE AS OF SEPTEMBER 1, 2015	\$83,466	\$89,252	\$507,618	\$(19,248)	\$661,097	\$ 39,756	\$ 39,756	\$1,056	\$701,919
Changes during the term									
Dividends			(8,858)		(8,858)				(8,858)
Profit attributable to owners of parent			53,353		53,353				53,353
Acquisition of treasury stock				(14,257)	(14,257)				(14,257)
Disposal of treasury stock		58		2,064	2,132				2,132
Net changes of items other than shareholders' equity						(30,209)	(30,209)	165	(30,035)
Total changes during the term	—	58	44,485	(12,183)		(30,209)	(30,209)	165	2,316
BALANCE AS OF AUGUST 31, 2016	\$83,466	\$89,310	\$552,113	\$(31,431)	\$693,468	\$ 9,546	\$ 9,546	\$1,221	\$704,235

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥103.18=US\$1, the approximate rate of exchange on August 31, 2016.

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Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Years Ended August 31, 2016 and 2015	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥8,679	¥6,287	\$84,115
Depreciation and amortization	5,843	5,946	56,629
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(0)
Increase (decrease) in accrued bonuses	176	116	1,706
Increase (decrease) in reserve for special benefit for shareholders	18	(66)	174
Interest income	(217)	(239)	(2,103)
Interest expenses	5	9	48
Foreign exchange loss (gain)	48	(28)	465
Loss (gain) on valuation of derivatives	144	(13)	1,396
Loss on retirement of fixed assets	77	82	746
Store closure loss	14	28	136
Impairment loss	541	1,787	5,243
Compensation income	(174)	(148)	(1,686)
Gain on reversal of subscription rights to shares	(3)	(32)	(29)
Decrease (increase) in accounts receivable-tenants	(78)	369	(756)
Decrease (increase) in inventories	1,408	(1,079)	13,646
Decrease (increase) in other current assets	(44)	(67)	(426)
Increase in accounts payable-trade	0	104	0
Increase (decrease) in other current liabilities	(116)	372	(1,124)
Other	76	50	737
Subtotal	16,398	13,478	158,926
Interest and dividends received	148	190	1,434
Interest paid	(4)	(9)	(39)
Income tax paid	(2,948)	(1,715)	(28,571)
Net cash provided by operating activities	13,767	11,943	133,427
INVESTING ACTIVITIES:			
Purchase of investments in subsidiaries	—	500	—
Proceeds from withdrawal of time deposits	—	212	—
Proceeds from withdrawal of long-term time deposits	—	1,500	—
Purchase of tangible fixed assets	(4,475)	(4,732)	(43,371)
Purchase of intangible fixed assets	(326)	(654)	(3,160)
Payments for caution money, guarantee money and cooperative advances for construction	(435)	(428)	(4,216)
Proceeds from collection of caution, guarantee money and cooperative advances for construction	687	742	6,658
Other payments	(236)	(55)	(2,287)
Net cash used in investing activities	(4,787)	(2,915)	(46,395)
FINANCING ACTIVITIES:			
Proceeds from long-term loans payable	—	6,000	—
Repayment of long-term loans payable	(3,008)	(4,585)	(29,153)
Purchase of treasury stock	(1,471)	(386)	(14,257)
Proceeds from exercise of share options	196	720	1,900
Dividends paid	(913)	(908)	(8,849)
Net cash provided by (used in) financing activities	(5,196)	840	(50,359)
TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	(1,679)	323	(16,273)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,104	10,191	20,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,113	17,921	272,466
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥30,217	¥28,113	\$292,857

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(2) The financial statements are a translation of the Japanese annual securities report's financial statements.

Corporate Data

As of August 31, 2016

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	4,290 (Full-Time employees; on a consolidated basis)
Number of Outlets	1,373 (1,028 in Japan and 345 overseas)

Consolidated Subsidiaries

Saizeriya Australia Pty. Ltd.
Shanghai Saizeriya Co., Ltd.
Guangzhou Saizeriya Co., Ltd.
Beijing Saizeriya Co., Ltd.
Taiwan Saizeriya Co., Ltd.
Hong Kong Saizeriya Co. Limited
Singapore Saizeriya Pte. Ltd.

Board of Directors and Audit and Supervisory Committee Members

Chairman	Yasuhiko Shogaki
President	Issei Horino
Director	Nobuyuki Masuoka
Director	Hideharu Matsutani
Director	Noboru Nagaoka
Director	Minoru Orido
Outside Director	Koji Shimazaki
Director, Audit and Supervisory Committee Member	Ryohei Shibata
Outside Director, Audit and Supervisory Committee Member	Tsutomu Okada
Outside Director, Audit and Supervisory Committee Member	Susumu Watanabe

*As of November 29, 2016

Shareholders' Information

As of August 31, 2016

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	34,673

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	1,990	3.80
Saizeriya Co., Ltd.	1,938	3.70
Japan Trustee Services Bank, Ltd. (Trust Account)	1,738	3.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,253	2.39
Goldman Sachs and Company Regular Account	931	1.78
MSIP CLIENT SECURITIES	600	1.14
NOMURA TRUST Bank, Ltd. (Trust Account)	530	1.01
BBH/SUMITOMO MITSUI TRUST (UK) LIMITED FOR SMT TRUSTEES (IRELAND) LIMITED FOR TOKIO MARINE JAPANESE EQUITY FOCUS	518	0.99

Ownership of Shares by Category

	Number of Shareholders	Number of Shares Held* (Unit: 100 shares)	Percentage of Total Shares (%)
Japanese financial institutions	32	7,023,000	13.46
Japanese securities companies	22	88,300	0.17
Other Japanese corporations	170	4,565,700	8.75
Foreign corporations and individuals	191	10,018,000	19.20
Japanese individuals and others	34,258	30,495,500	58.43
Total	34,673	52,190,500	100.00

*Odd-lot shares are excluded.



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