

Annual Report 2018

Year ended August 31, 2018



Our Mission

La Buona Tavola!



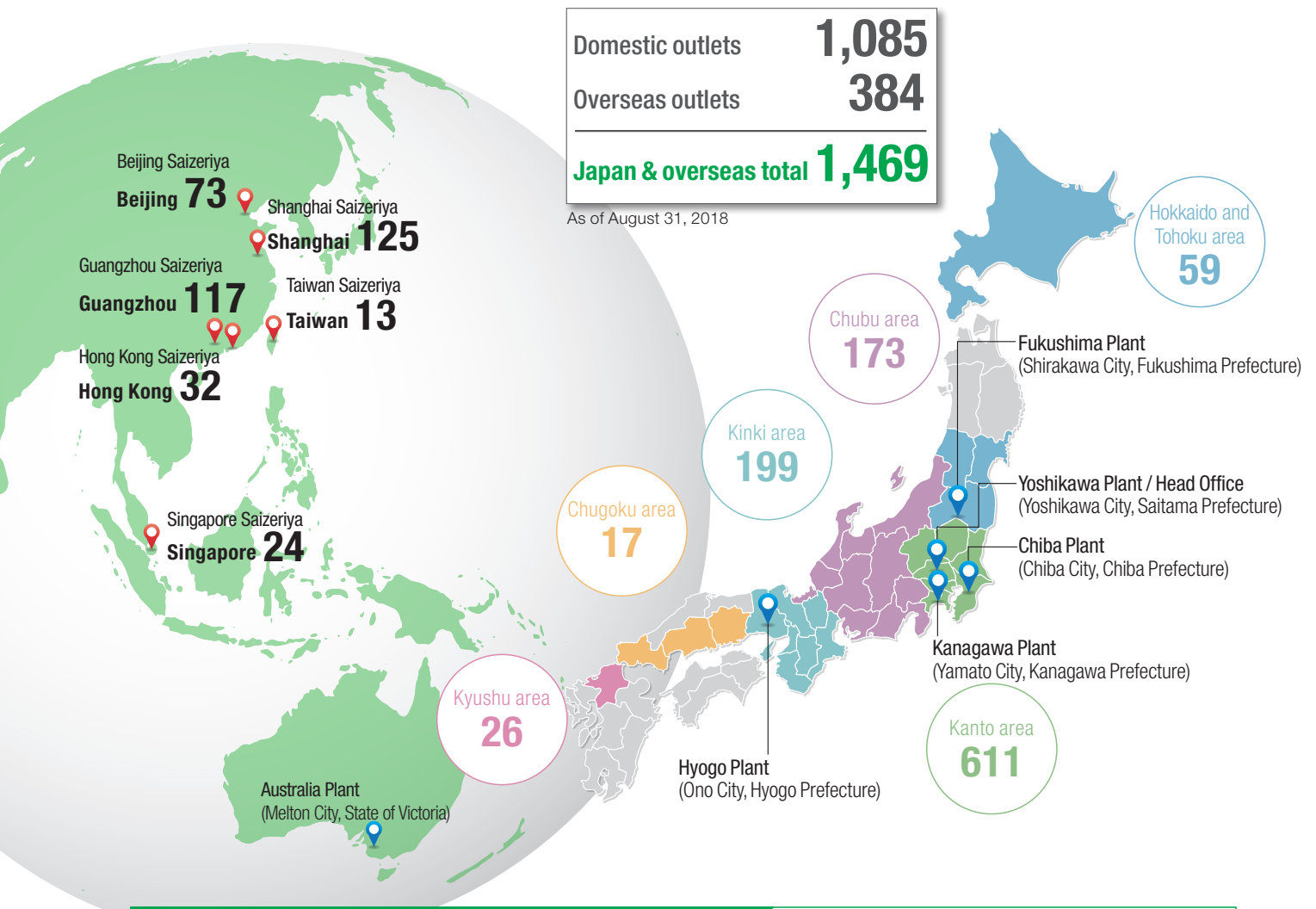
Our Philosophy

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



New outlets opened one after another!

- Aug. 17, 2018 Spaghetti Mariano, Yokohama Business Park (Kanagawa Prefecture)
- Aug. 17, 2018 RicaRica, Yokohama Business Park (Kanagawa Prefecture)
- Aug. 31, 2018 Saizeriya, HON-ATSUGI MYLOAD (Kanagawa Prefecture)
- Sep. 13, 2018 Saizeriya, AEON Honami (Fukuoka Prefecture)
- Sep. 26, 2018 RIFRESCA Meijiza-mae (Tokyo)
- Sep. 27, 2018 Mariano, AEON STYLE Minamisuna (Tokyo)
- Sep. 28, 2018 Saizeriya, AEON FOOD STYLE Konandai (Kanagawa Prefecture)
- Oct. 5, 2018 Saizeriya, youme Town Chofu (Yamaguchi Prefecture)
- Oct. 26, 2018 Saizeriya, youme Town Sanpian (Kumamoto Prefecture)
- Nov. 8, 2018 Saizeriya, Tokaichiba Station South Exit (Kanagawa Prefecture)
- Nov. 15, 2018 Saizeriya, Ito-Yokado Koriyama (Fukushima Prefecture)
- Nov. 21, 2018 Saizeriya, AEON Kanazawa-hakkei (Kanagawa Prefecture)

Consolidated Financial Highlights

Years Ended August 31, 2018 and 2017

2018

2017

2018

Millions of Yen

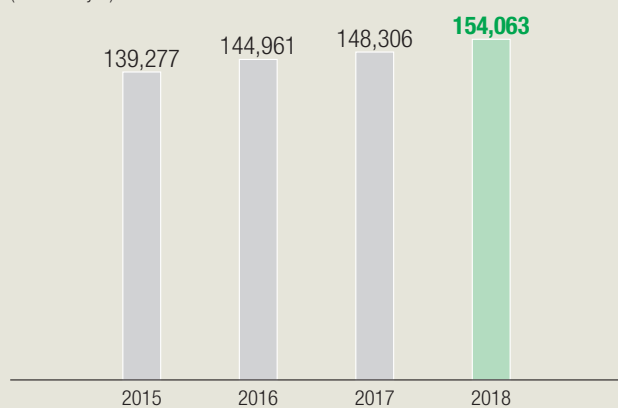
Thousands of U.S. Dollars

Operational Data:			
Net Sales	¥154,063	¥148,306	\$1,387,205
Income before Income Taxes and Minority Interests	7,603	11,309	68,458
Profit Attributable to Owners of Parent	5,074	7,496	45,687
Financial Data:			
Total Assets	104,896	102,731	944,498
Net Assets	83,396	80,412	750,909
Per Share Data (Yen and U.S. Dollars):			
Net Income per Share	¥102.69	¥151.48	\$0.93
Dividends per Share	18.00	18.00	0.16

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111.06=US\$1, the approximate rate of exchange on August 31, 2018.

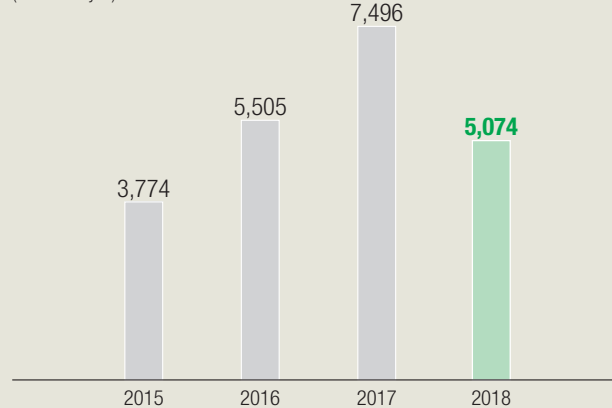
Net Sales

(millions of yen)



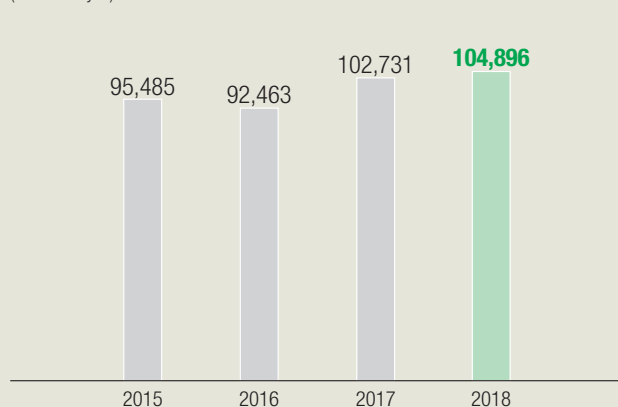
Profit Attributable to Owners of Parent

(millions of yen)



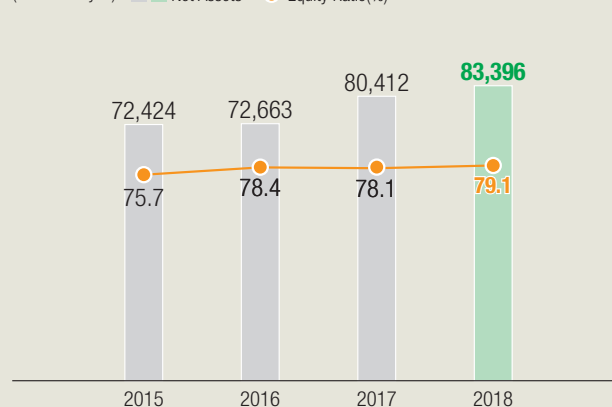
Total Assets

(millions of yen)



Net Assets / Equity Ratio

(millions of yen) ■ Net Assets ● Equity Ratio(%)



To Our Shareholders

In the dining-out industry, the number of foreign workers is increasing because companies are expanding their deployment as a new workforce to compensate for labor shortages. A challenging environment, however, continued, owing to such factors as the impact of natural disasters, including earthquakes and torrential rain, on sales and surging prices of imported ingredients and energy. Against this background, Saizeriya has worked to build a solid corporate system in order to continue the steady provision of high quality products and services to our customers.

During the fiscal year ended August 31, 2018, working to create an environment where customers can dine with peace of mind, we implemented various measures, including refurbishment of existing outlets and introduction of plastic tableware, and making all our outlets non-smoking. As a result, the Company recorded

consolidated net sales of ¥154.0 billion (up 3.9% from the previous fiscal year) and operating income of ¥8.6 billion (down 23.0%). Net sales were a record high despite the challenging business environment.

In the fiscal year ending August 31, 2019, with the aim of attaining future growth and further advances, the Company will promote innovation, focusing on both hard and soft aspects. Our principal initiatives are to develop attractive products unique to Saizeriya and enhance quality and productivity through technological improvement. At the same time, in our operations we will emphasize initiatives that lead to corporate sustainability, such as measures against waste loss and energy saving and environmental measures at our outlets, plants, and farms.

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



Issei Horino
President and Representative Director

Yasuhiko Shougaki
Chairman and Representative Director

Restaurants inspiring more smiles and appreciation galore

Issei Horino

President and Representative Director

Business in Japan

Creating comfortable spaces

Regarding the restaurant business in Japan, we will continue our efforts to enhance services and quality while maintaining prices.

For existing outlets, we will continue vigorous investment in refurbishment of tables and seating and bathrooms, making all our outlets non-smoking, introduction of highly safe tableware, and so forth to offer customers more comfortable spaces where they can dine with peace of mind.

Regarding merchandising, we are promoting the “Make Your Favorite” concept based on the lineup of simple, fresh dishes straight from the kitchen that can be enjoyed in any number of combinations, which is the strength of our restaurants. Customers are encouraged to use olive oil and various other seasonings available for free so as to enjoy their preferred taste.

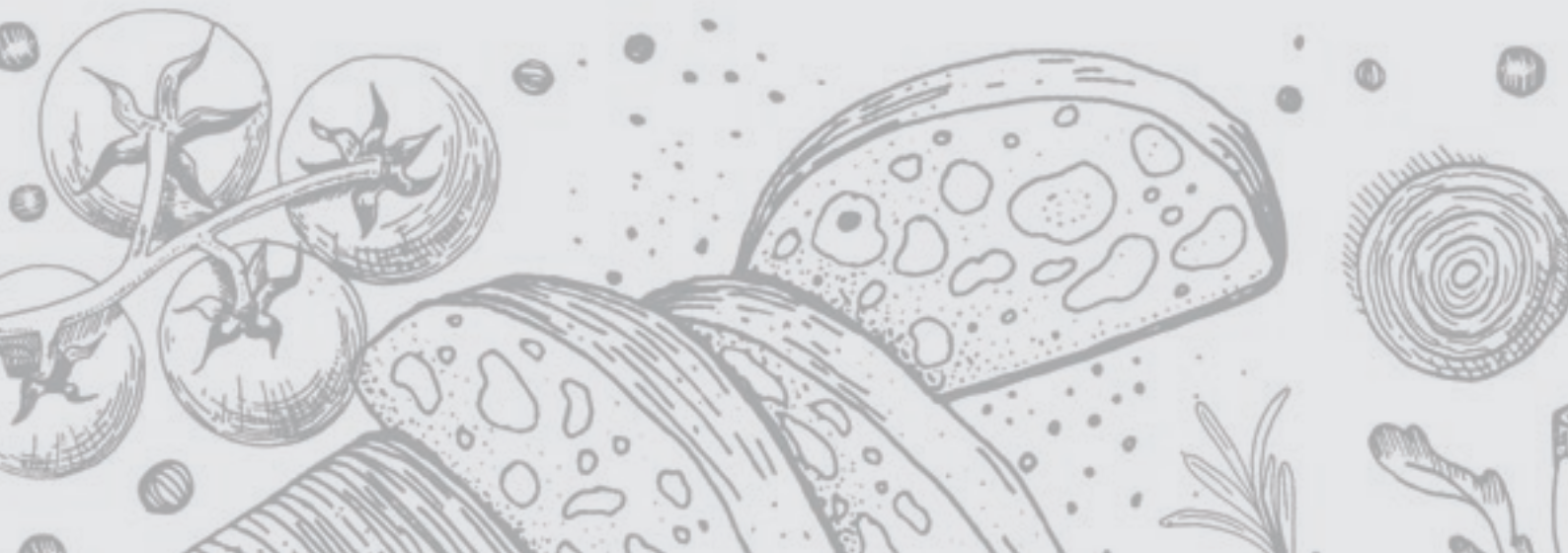
Overseas business

Developing core products tailored to local needs

For the overseas business, we will continue our emphasis on localization by adapting to local values and lifestyles.

Regarding the outlet development strategy, we are accelerating opening of new outlets by more flexible setting of the criteria for opening new outlets in order to tap the potential of new locations where we never had an outlet previously. We are also renewing outlet designs to achieve more stylish venues.

In addition, we will promote establishment of information infrastructure to build an environment enabling examination from various perspectives so as to establish new business models.



New business formats

Aiming to start demonstrating the newly developed implementation models

New businesses in Japan are now in the phase where increased investment is required, such as for the workforce.

Regarding the business models we developed in the previous fiscal year for which profit design has been completed, we will promote opening of new outlets.

In addition, through various trials, including the offering of merchandise and pricing differentiated from that of conventional Saizeriya restaurants in order to identify well-selling merchandise favored by customers and verification of locations enabling the new business models to coexist with the existing restaurant operations, we intend to refine the profit model for which fast opening of outlets is highly effective from the current fiscal year onward.

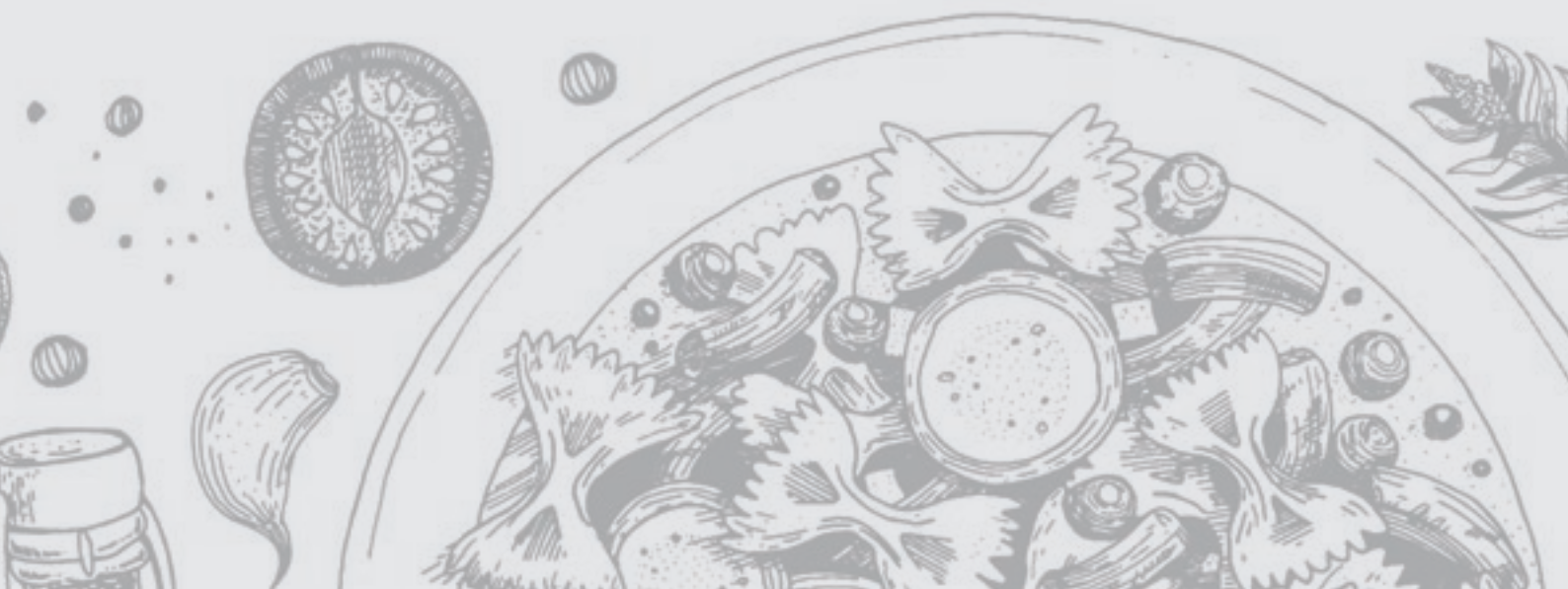
Personnel and organization development

Displaying individuals' capabilities

We have been implementing measures that emphasize management education and Philosophy education so as to inculcate habits of thinking and encourage the organization to learn. As an outcome of these efforts, Saizeriya became the first food service company in the world to be awarded the Miles Award, the highest honor, from the Society of Japanese Value Engineering (SJVE), which is another step toward the industrialization of our dining service.

We will utilize these methodologies to transition to an implementation-oriented organization.

Moreover, we will work to reduce the workload at workplaces by establishing a system for division of labor and improve the working environment so as to improve retention and productivity.

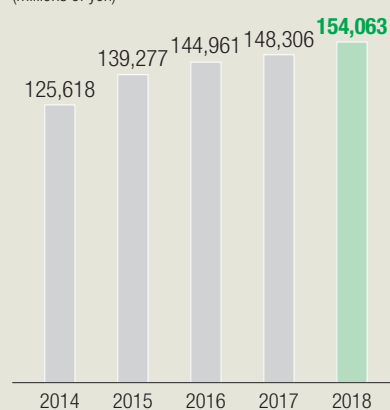


Consolidated Five-Year Summary

	2014	2015	2016	2017	2018
Net Sales (Millions of Yen)	125,618	139,277	144,961	148,306	154,063
Operating Income (Millions of Yen)	5,488	7,511	9,006	11,216	8,640
Ordinary Income (Millions of Yen)	5,917	8,004	9,134	11,885	8,895
Profit Attributable to Owners of Parent (Millions of Yen)	1,193	3,774	5,505	7,496	5,074
Total Assets (Millions of Yen)	87,224	95,485	92,463	102,731	104,896
Net Assets (Millions of Yen)	68,643	72,424	72,663	80,412	83,396
Shareholders' Equity Ratio (%)	78.5	75.7	78.4	78.1	79.1
Net Income per Share (Yen)	23.65	74.70	108.65	151.48	102.69
Cash Dividends per Share (Yen)	18.00	18.00	18.00	18.00	18.00

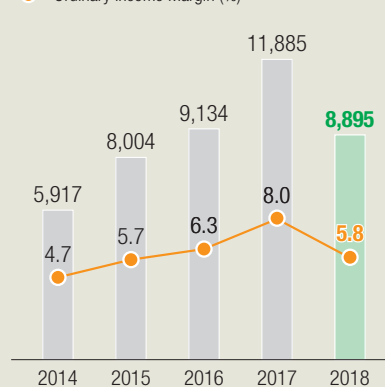
Net Sales

(millions of yen)



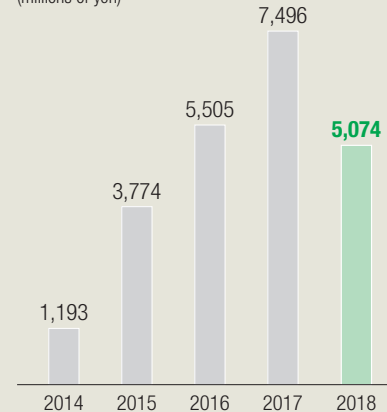
Ordinary Income / Ordinary Income Margin

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



Profit Attributable to Owners of Parent

(millions of yen)



Segment Results

Japan

Total sales in Japan were ¥119,405 million (up 1.8% from the previous fiscal year). However, due to surging prices of imported ingredients because of weak yen and rising labor costs as a result of deterioration of productivity, operating income was ¥4,938 million (down 36.1%).

Australia

Ingredients used by Saizeriya are manufactured in Australia. Total sales in Australia were ¥4,608 million (up 2.4% from the previous fiscal year) and operating income was ¥44 million (down 73.1%).

Asia

Owing to the attraction of new customers as a result of opening new outlets and the offering of services attuned to local needs, total sales in Asia were ¥34,514 million (up 11.4% from the previous fiscal year) and operating income was ¥3,643 million (up 9.8%).

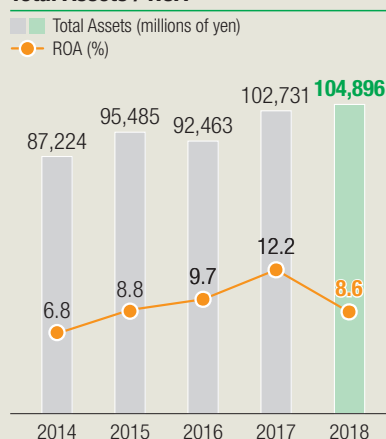
Outlook for the Fiscal Year Ending August 31, 2019

The global economy is expected to continue to follow a moderate growth trend since the U.S. economy will likely remain robust against the backdrop of favorable employment conditions. However, prospects remain unclear in view of persisting political risks associated with the protectionist trade policy of the Trump administration, notably the trade friction between the U.S. and China. In addition, the surge in energy prices, reflecting a rise in crude oil prices, and higher personnel expenses indicate that the situation will remain unpredictable. Accordingly, we forecast consolidated net sales of ¥159.8 billion, operating income of ¥9.5 billion, ordinary income of ¥9.7 billion,

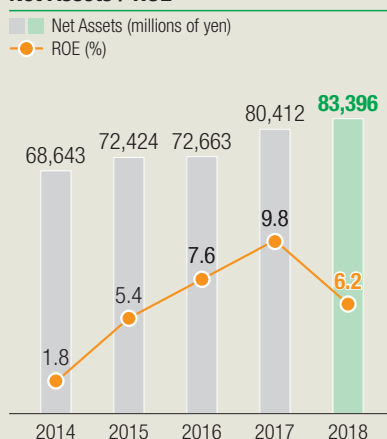
and profit attributable to owners of parent of ¥5.9 billion.

	2018 results	2019 forecasts
Net Sales (Millions of Yen)	154,063	159,800
Operating Income (Millions of Yen)	8,640	9,500
Ordinary Income (Millions of Yen)	8,895	9,700
Profit Attributable to Owners of Parent (Millions of Yen)	5,074	5,900

Total Assets / ROA



Net Assets / ROE



Cash Flows



Consolidated Financial Statements

Consolidated Balance Sheets

Millions of Yen

Thousands of U.S. Dollars (Note 1)

August 31, 2018 and 2017	2018	2017	2018
ASSETS			
CURRENT ASSETS:			
Cash and deposits with banks	¥ 37,486	¥ 37,410	\$ 337,529
Accounts receivable—tenants	1,276	1,217	11,489
Merchandise and finished goods	6,372	5,716	57,374
Raw materials and supplies	700	916	6,303
Deferred tax assets	548	669	4,934
Other	4,153	3,521	37,394
Total current assets	50,537	49,454	455,042
FIXED ASSETS:			
Tangible fixed assets			
Buildings and structures	25,677	25,386	231,199
Machinery, vehicle and equipment	2,184	2,020	19,665
Furniture and fixtures	4,929	4,370	44,381
Land	6,939	6,954	62,480
Lease assets, net	94	103	846
Construction in progress	356	434	3,205
Total tangible fixed assets	40,182	39,269	361,804
Intangible fixed assets	750	834	6,753
Investments and other assets			
Investment securities	259	259	2,332
Caution and guarantee money	10,217	9,912	91,995
Cooperative advances for construction	480	697	4,322
Deferred tax assets	2,233	1,948	20,106
Other	248	370	2,233
Allowance for doubtful accounts	(13)	(14)	(117)
Total Intangible fixed assets and investments and other assets	13,425	13,173	120,881
Total fixed assets	54,358	53,277	489,447
TOTAL ASSETS	¥ 104,896	¥ 102,731	\$ 944,498

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111.06=US\$1, the approximate rate of exchange on August 31, 2018.

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

August 31, 2018 and 2017	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
	2018	2017	2018
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable–trade	¥ 5,886	¥ 5,489	\$ 52,998
Lease obligations	9	9	81
Income taxes payable	970	2,538	8,734
Accrued bonuses	1,271	1,371	11,444
Allowance for special benefit for shareholders	249	154	2,242
Asset retirement obligations	48	33	432
Other	6,252	6,938	56,294
Total current liabilities	14,688	16,534	132,253
LONG-TERM LIABILITIES:			
Provision for employee stock ownership plan	478	331	4,304
Lease obligations	94	104	846
Deferred tax liabilities	30	37	270
Asset retirement obligations	5,992	5,044	53,953
Other	214	267	1,927
Total long-term liabilities	6,811	5,785	61,327
Total liabilities	21,499	22,319	193,580
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Capital stock	8,612	8,612	77,544
Capital surplus	10,631	10,556	95,723
Retained earnings	67,727	63,557	609,824
Treasury stock	(6,020)	(5,191)	(54,205)
Total shareholders' equity	80,951	77,535	728,894
Accumulated other comprehensive income			
Translation adjustments	2,017	2,654	18,161
Total accumulated other comprehensive income	2,017	2,654	18,161
Subscription rights to shares	427	222	3,845
Total net assets	83,396	80,412	750,909
TOTAL LIABILITIES AND NET ASSETS	¥ 104,896	¥ 102,731	\$ 944,498

Consolidated Statements of Income

Millions of Yen

Thousands of U.S. Dollars (Note 1)

Years Ended August 31, 2018 and 2017	2018	2017	2018
NET SALES	¥ 154,063	¥ 148,306	\$ 1,387,205
COST OF SALES	56,268	52,528	506,645
Gross profit	97,795	95,777	880,560
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	89,154	84,561	802,755
Operating income	8,640	11,216	77,796
NON-OPERATING INCOME:	329	737	2,962
Interest income	228	188	2,053
Dividend income	0	120	0
Compensation income	30	184	270
Gain on valuation of derivatives	—	144	—
Other	70	100	630
NON-OPERATING EXPENSES:	74	68	666
Interest expenses	2	2	18
Foreign exchange loss	30	14	270
Other	41	51	369
Ordinary income	8,895	11,885	80,092
SPECIAL INCOME:	76	120	684
Compensation income	70	—	630
Gain on sales of shares of subsidiaries and associates	—	115	—
Gain on reversal of subscription rights to shares	5	4	45
SPECIAL LOSS:	1,368	697	12,318
Impairment loss	1,228	359	11,057
Loss on retirement of fixed assets	81	52	729
Store closure loss	58	57	522
Provision for allowance of employee stock ownership plan	—	227	—
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,603	11,309	68,458
Current income taxes	2,676	3,970	24,095
Deferred income taxes	(147)	(157)	(1,324)
Total income taxes	2,529	3,813	22,771
Net income	5,074	7,496	45,687
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 5,074	¥ 7,496	\$ 45,687

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Consolidated Statements of Cash Flows

Millions of Yen

Thousands of U.S. Dollars (Note 1)

Years Ended August 31, 2018 and 2017	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,603	¥ 11,309	\$ 68,458
Depreciation and amortization	6,297	5,812	56,699
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(0)
Increase (decrease) in accrued bonuses	(98)	(76)	(882)
Increase (decrease) in provision for employee stock ownership plan	149	331	1,342
Increase (decrease) in reserve for special benefit for shareholders	95	(6)	855
Interest income	(228)	(308)	(2,053)
Interest expenses	2	2	18
Foreign exchange loss (gain)	61	(43)	549
Loss (gain) on valuation of derivatives	—	(144)	—
Loss on retirement of fixed assets	81	52	729
Loss on sales of shares of subsidiaries and associates	—	(115)	—
Store closure loss	58	57	522
Impairment loss	1,228	359	11,057
Compensation income	(70)	—	(630)
Gain on reversal of subscription rights to shares	(5)	(4)	(45)
Decrease (increase) in accounts receivable—tenants	(58)	(97)	(522)
Decrease (increase) in inventories	(478)	(872)	(4,304)
Decrease (increase) in other current assets	(603)	(572)	(5,429)
Increase in accounts payable—trade	410	365	3,692
Increase (decrease) in other current liabilities	(675)	661	(6,078)
Other	331	144	2,980
Subtotal	14,098	16,854	126,940
Interest and dividends received	194	265	1,747
Interest paid	(2)	(2)	(18)
Income tax paid	(4,048)	(3,661)	(36,449)
Proceeds from compensation	70	—	630
Net cash provided by operating activities	10,313	13,456	92,860
INVESTING ACTIVITIES:			
Proceeds from sales of shares of subsidiaries and associates	—	195	—
Purchase of tangible fixed assets	(7,362)	(5,174)	(66,288)
Purchase of intangible fixed assets	(315)	(88)	(2,836)
Payments for caution money, guarantee money and cooperative advances for construction	(489)	(515)	(4,403)
Proceeds from collection of caution, guarantee money and cooperative advances for construction	502	611	4,520
Other payments	(352)	(179)	(3,169)
Net cash used in investing activities	(8,017)	(5,149)	(72,186)
FINANCING ACTIVITIES:			
Repayment of long-term loans payable	—	(485)	—
Purchase of treasury stock	(970)	(3,265)	(8,734)
Proceeds from sales of treasury stock	—	2,282	—
Proceeds from exercise of share options	105	263	945
Dividends paid	(905)	(909)	(8,149)
Net cash provided by (used in) financing activities	(1,770)	(2,114)	(15,937)
TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	(450)	1,000	(4,052)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75	7,192	675
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	37,410	30,217	336,845
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 37,486	¥37,410	\$ 337,529

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Consolidated Statement of Changes in Net Assets

Millions of Yen

Year Ended August 31, 2018	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, 2017	¥8,612	¥10,556	¥63,557	¥(5,191)	¥77,535	¥2,654	¥2,654	¥ 222	¥80,412
Changes during the term									
Dividends			(904)		(904)				(904)
Profit attributable to owners of parent			5,074		5,074				5,074
Acquisition of treasury stock				(970)	(970)				(970)
Disposal of treasury stock		74		141	216				216
Net changes of items other than shareholders' equity						(636)	(636)	205	(431)
Total changes during the term	—	74	4,169	(828)	3,416	(636)	(636)	205	2,984
BALANCE AS OF AUGUST 31, 2018	¥8,612	¥10,631	¥67,727	¥(6,020)	¥80,951	¥2,017	¥2,017	¥427	¥83,396

Thousands of U.S. Dollars (Note 1)

Year Ended August 31, 2018	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, 2017	\$77,544	\$95,048	\$572,276	\$(46,741)	\$698,136	\$23,897	\$23,897	\$1,999	\$724,041
Changes during the term									
Dividends			(8,140)		(8,140)				(8,140)
Profit attributable to owners of parent			45,687		45,687				45,687
Acquisition of treasury stock				(8,734)	(8,734)				(8,734)
Disposal of treasury stock		666		1,270	1,945				1,945
Net changes of items other than shareholders' equity						(5,727)	(5,727)	1,846	(3,881)
Total changes during the term	—	666	37,538	(7,455)	30,758	(5,727)	(5,727)	1,846	26,868
BALANCE AS OF AUGUST 31, 2018	\$77,544	\$95,723	\$609,824	\$(54,205)	\$728,894	\$18,161	\$18,161	\$3,845	\$750,909

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111.06=US\$1, the approximate rate of exchange on August 31, 2018.

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

Corporate Data

as of August 31, 2018

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	4,176 (Full-time employees; on a consolidated basis)
Number of Outlets	1,469 (1,085 in Japan and 384 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, Standing Audit and Supervisory Committee Member	Ryohei Shibata
Outside Director, Audit and Supervisory Committee Member	Susumu Watanabe
Outside Director, Audit and Supervisory Committee Member	Michiharu Matsuda

as of November 28, 2018

Shareholders' Information

as of August 31, 2018

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	51,148

Principal Shareholders

	Number of Shares Held (Unit: 1,000 shares)	Percentage of Total Shares (%)
Yasuhiko Shogaki	15,249	29.17
Babette Co., Ltd.	4,455	8.52
Saizeriya Co., Ltd.	2,241	4.28
Saizeriya Employees' Stock Holding Association	1,803	3.45
Japan Trustee Services Bank, Ltd. (Trust Account)	1,019	1.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	768	1.47
GOLDMAN, SACHS & CO. REG	708	1.35
Trust & Custody Services Bank, Ltd. (Trust E Account)	698	1.33
Japan Trustee Services Bank, Ltd. (Trust Account 5)	626	1.19
Japan Trustee Services Bank, Ltd. (Trust Account 9)	509	0.97

Ownership of Shares by Category

	Number of Shareholders	Number of Shares Held* (Unit: 100 shares)	Percentage of Total Shares (%)
Japanese financial institutions	35	6,113,500	11.7
Japanese securities companies	36	405,600	0.8
Other Japanese corporations	262	4,599,600	8.8
Foreign corporations and individuals	236	5,577,900	10.7
Japanese individuals and others	50,579	35,506,400	68.0
Total	51,148	52,203,000	100.00

*Odd-lot shares are excluded.



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