

Annual Report 2019

Year ended August 31, 2019



Our Mission

La Buona Tavola!



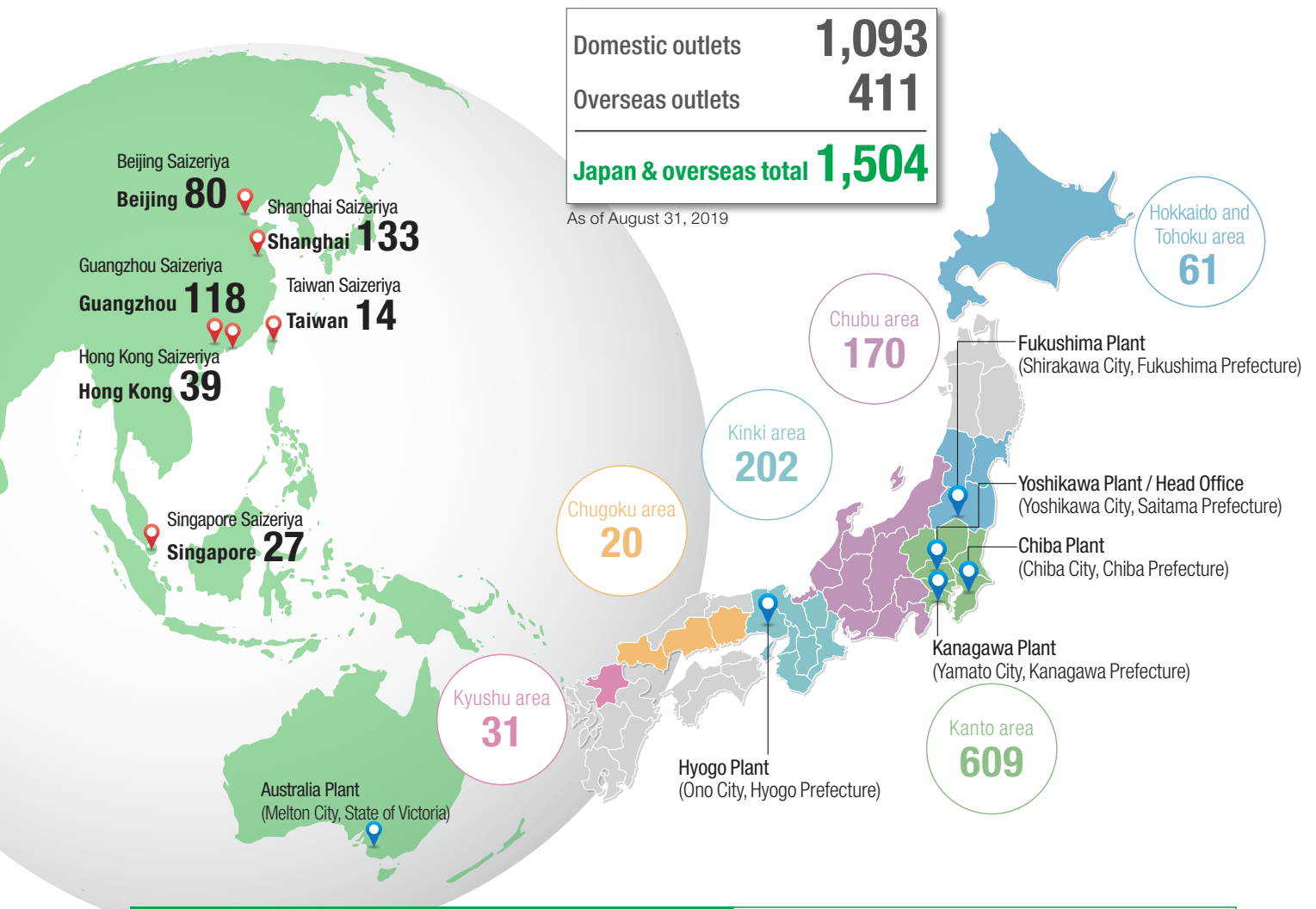
Our Philosophy

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!

1,500 outlets worldwide

- Aug. 1, 2019 Saizeriya, Yurimachi Sodegaura Ekimae Mall (Chiba Prefecture)
- Aug. 1, 2019 Saizeriya, LaLa square Yokkaichi (Mie Prefecture)
- Aug. 8, 2019 Saizeriya, SEIBU Honkawagoe PePe (Saitama Prefecture)
- Aug. 9, 2019 Saizeriya, youme Town Fukuyama (Hiroshima Prefecture)
- Sep. 27, 2019 Saizeriya, LINK SQUARE Shinjuku (Tokyo)
- Oct. 25, 2019 Saizeriya, Namamugi Station (Kanagawa Prefecture)
- Nov. 7, 2019 Saizeriya, AEON Kasai (Tokyo)
- Nov. 14, 2019 Saizeriya, Tsurukawa Station North Exit (Tokyo)
- Nov. 14, 2019 Saizeriya, AEON TOWN Yokkaichi-Tomari (Mie Prefecture)
- Nov. 22, 2019 Saizeriya, Kumamoto Shimotori (Kumamoto Prefecture)
- Nov. 27, 2019 Saizeriya, Ito Yokado Kokuryo (Tokyo)
- Nov. 28, 2019 Saizeriya, Ito Yokado Tateba (Kanagawa Prefecture)
- Dec. 4, 2019 Saizeriya, VIVA HOME Honjo Central (Saitama Prefecture)

Consolidated Financial Highlights

Years Ended August 31, 2019 and 2018

2019

2018

2019

Millions of Yen

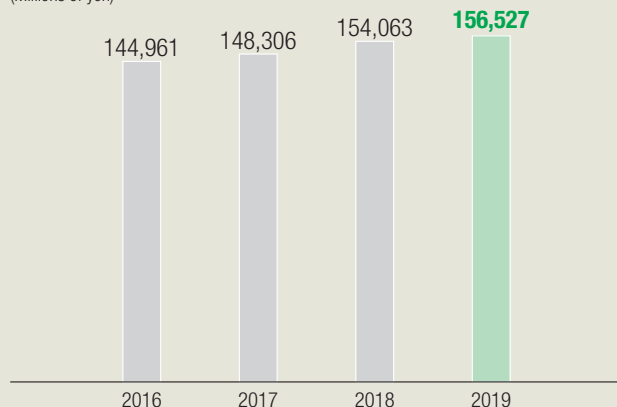
Thousands of U.S. Dollars

Operational Data:			
Net Sales	¥156,527	¥154,063	\$1,470,289
Income before Income Taxes and Minority Interests	7,443	7,603	69,914
Profit Attributable to Owners of Parent	4,980	5,074	46,778
Financial Data:			
Total Assets	108,970	104,896	1,023,577
Net Assets	85,177	83,396	800,085
Per Share Data (Yen and U.S. Dollars):			
Net Income per Share	¥101.48	¥102.69	\$0.95
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 ¥106.46=US\$1, the approximate rate of exchange on August 31, 2019.

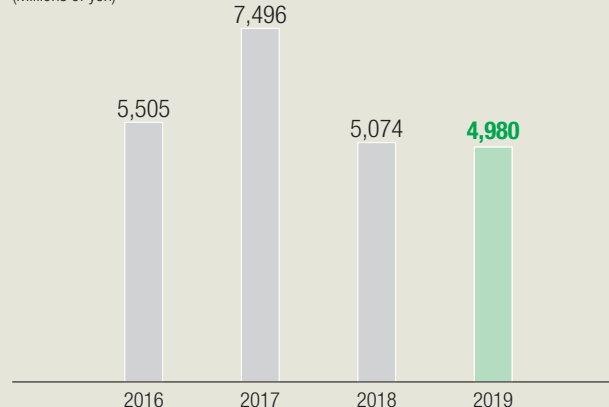
Net Sales

(Millions of yen)



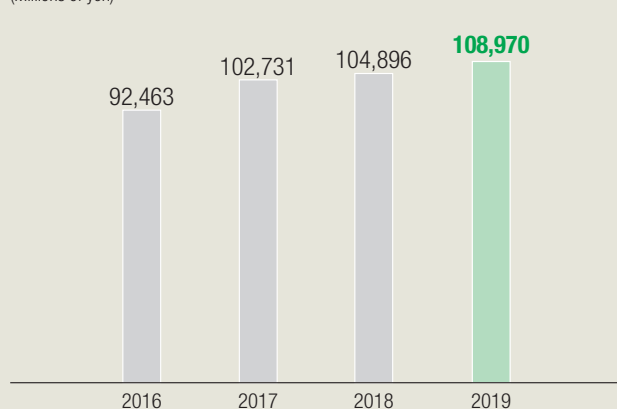
Profit Attributable to Owners of Parent

(Millions of yen)



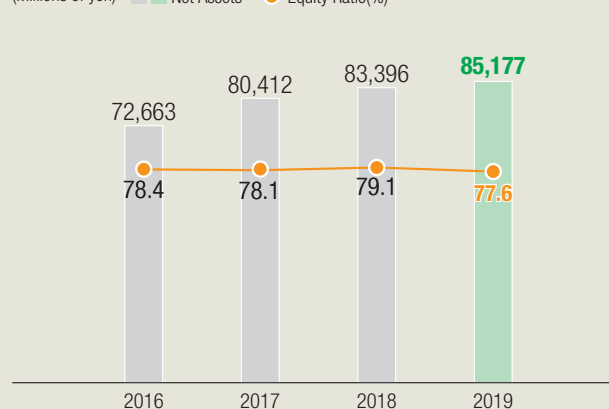
Total Assets

(Millions of yen)



Net Assets / Equity Ratio

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



To Our Shareholders

In the dining-out industry, the environment remained challenging, as high labor costs persisted due to factors such as an increase in the minimum wage, sales suffered the effects of natural disasters such as earthquakes and torrential rain, and energy prices surged. 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, 2019, we pushed ahead with the introduction of new technologies and preparation methods, in order to develop products that will bring customers into our outlets. At the same time, working to create an environment where customers can dine in safety with peace of mind, we implemented various measures in advance of full-scale enforcement of the Act on the Partial Revision of the Health Promotion Act scheduled for 2020, including making all our outlets non-smoking and refurbishing existing outlets. Thanks to the support

of our customers over many years, we reached a total of 1,500 outlets across Japan and overseas in July 2019. As a result, the Company recorded consolidated net sales of ¥156.5 billion (up 1.6% from the previous fiscal year) and operating income of ¥9.5 billion (up 11.1%).

In the fiscal year ending August 31, 2020, 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

Utilizing the strengths of every individual to grow further as an organization

Issei Horino

President and Representative Director

Business in Japan

Aiming to enhance the value of outlets through delicious taste

Regarding the restaurant business in Japan, we lowered the base price of almost all our products by 2% due to the tax increase.

Regarding merchandising, we will provide customers with products that represent value for money by utilizing the strength of our own captive factories to promote our core products, and further increase our range of seasonings to brighten up the meals of each and every customer.

In addition, we will continue vigorous investment in an app to increase the product knowledge and customer service standard of the employees for a sales boost, advance implementation of non-smoking designation for all our outlets, refurbishment of existing outlets and so forth, to offer customers more comfortable spaces where they can dine with peace of mind.

Overseas business

Integrating authentic flavors, to make Italian cuisine part of everyday life

For the overseas business, in addition to actively integrating high-value products such as those from our own factory in Australia and authentic ingredients from Italy, we are engaged in creating outlets with an Italian flavor, in harmony with the local fashion, with an accompanying enhancement in the standard of service.

It has been more than a decade since Saizeriya began to expand overseas, and we have now turned an operating profit across all our overseas companies, with the proportion of profit from overseas representing a significant support for the Saizeriya Group. We will continue to strengthen our base in order to achieve stable growth.

New business formats

Expanding our profit model to pursue new possibilities

For new businesses in Japan, we have commenced demonstrating a more effective profit model in preparation for future outlet development.

We will reconsider the product price range for the pasta business, for which the profit model design we have been working on for some time is nearing completion, reconstruct it based on an urban model, and promote opening of new outlets.

We will also model the breakfast market as a new market. Through creating a new model where we can respond to needs that are rare in existing Saizeriya restaurants, we will expand the possibilities for coexistence with existing restaurants, and for new outlet locations.

Personnel and organization development

Transforming into a next-generation organization

As for the organization development, 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. At workplaces, we will establish a system for division of labor so as to expedite employees' training as professionals in various fields such as operational planning and education, improve the working environment so as to improve retention, and fully utilize the labor market so as to enhance productivity.

Through building "communityship," we will work to strengthen the horizontal ties between employees and create outlets where both customers and employees can feel peace of mind.



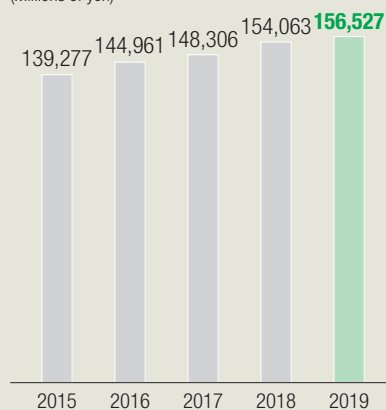
Consolidated Five-Year Summary

(Millions of Yen)

	2015	2016	2017	2018	2019
Net Sales	139,277	144,961	148,306	154,063	156,527
Operating Income	7,511	9,006	11,216	8,640	9,599
Ordinary Income	8,004	9,134	11,885	8,895	9,731
Profit Attributable to Owners of Parent	3,774	5,505	7,496	5,074	4,980
Total Assets	95,485	92,463	102,731	104,896	108,970
Net Assets	72,424	72,663	80,412	83,396	85,177
Shareholders' Equity Ratio (%)	75.7	78.4	78.1	79.1	77.6
Net Income per Share (Yen)	74.70	108.65	151.48	102.69	101.48
Cash Dividends per Share (Yen)	18.00	18.00	18.00	18.00	18.00

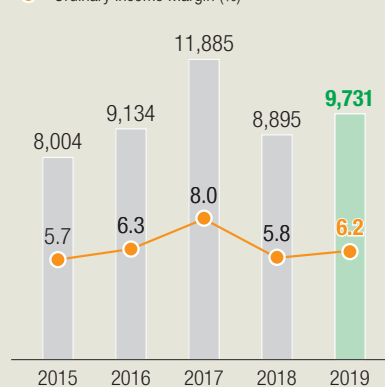
Net Sales

(Millions of yen)



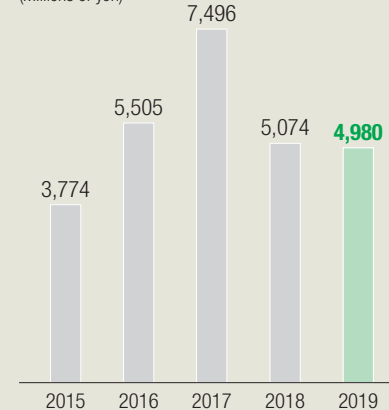
Ordinary Income / Ordinary Income Margin

■ 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 ¥118,988 million (down 0.3% from the previous fiscal year) affected by sluggish sales in existing outlets. However, gross profit improved due to a drop the in prices of imported ingredients because of the strong yen and the EPA, and operating income was ¥5,116 million (up 3.6%).

Australia

Ingredients used by Saizeriya are manufactured in Australia. Total sales in Australia were ¥4,309 million (down 6.5% from the previous fiscal year) and operating income was ¥78 million (up 76.7%).

Asia

Owing to the attraction of new customers as a result of the promotion of scrap and build activities, as well as internal and external outlet refurbishment, total sales in Asia were ¥37,394 million (up 8.3% from the previous fiscal year) and operating income was ¥4,379 million (up 20.2%).

Outlook for the Fiscal Year Ending August 31, 2020

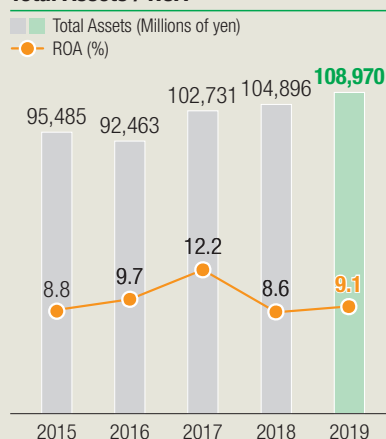
(Millions of Yen)

Consumer sentiment is deteriorating, and prospects remain unclear in view of the uncertain effects of the consumption tax increase, as well as the effects of Brexit and prolonged trade frictions. In addition, the rise in energy prices due to the deterioration of conditions in the Middle East, and the surge in labor costs indicate that the situation will remain unpredictable.

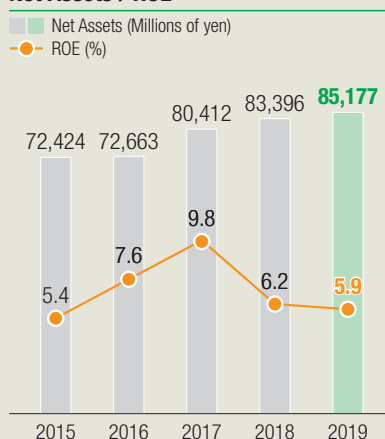
In these conditions, the Company will strive to provide yet more superior products and even greater value for money. Accordingly, we forecast consolidated net sales of ¥161.0 billion, operating income of ¥10.1 billion, ordinary income of ¥10.4 billion, and profit attributable to owners of parent of ¥6.0 billion.

	2019 results	2020 forecasts
Net Sales	156,527	161,000
Operating Income	9,599	10,100
Ordinary Income	9,731	10,400
Profit Attributable to Owners of Parent	4,980	6,000

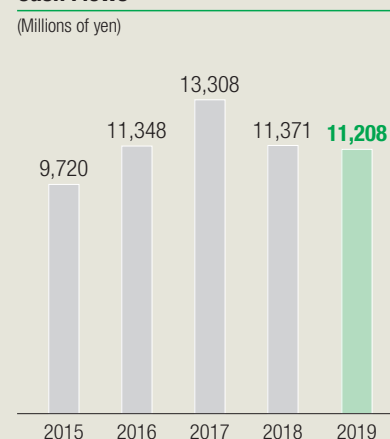
Total Assets / ROA



Net Assets / ROE



Cash Flows*



*Net Income + Depreciation and Amortization

Consolidated Financial Statements

Consolidated Balance Sheets

Millions of Yen

Thousands of U.S. Dollars (Note 1)

August 31, 2019 and 2018	2019	2018	2019
ASSETS			
CURRENT ASSETS:			
Cash and deposits with banks	¥ 43,266	¥ 37,486	\$ 406,406
Accounts receivable—tenants	1,979	1,276	18,589
Merchandise and finished goods	5,653	6,372	53,100
Raw materials and supplies	855	700	8,031
Other	4,260	4,153	40,015
Total current assets	56,015	49,989	526,160
FIXED ASSETS:			
Tangible fixed assets			
Buildings and structures	24,228	25,677	227,578
Machinery, vehicle and equipment	1,792	2,184	16,833
Furniture and fixtures	4,306	4,929	40,447
Land	6,919	6,939	64,992
Lease assets, net	85	94	798
Construction in progress	439	356	4,124
Total tangible fixed assets	37,771	40,182	354,791
Intangible fixed assets	685	750	6,434
Investments and other assets			
Investment securities	259	259	2,433
Caution and guarantee money	10,308	10,217	96,825
Cooperative advances for construction	310	480	2,912
Deferred tax assets	3,433	2,782	32,247
Other	199	248	1,869
Allowance for doubtful accounts	(13)	(13)	(122)
Total Intangible fixed assets and investments and other assets	14,498	13,974	136,183
Total fixed assets	52,955	54,907	497,417
TOTAL ASSETS	¥ 108,970	¥ 104,896	\$ 1,023,577

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥106.46=US\$1, the approximate rate of exchange on August 31, 2019.

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

Millions of Yen

Thousands of U.S. Dollars (Note 1)

August 31, 2019 and 2018	2019	2018	2019
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable–trade	¥ 5,792	¥ 5,886	\$54,405
Lease obligations	9	9	85
Income taxes payable	1,837	970	17,255
Accrued bonuses	1,410	1,271	13,244
Allowance for special benefit for shareholders	189	249	1,775
Asset retirement obligations	63	48	592
Derivative liabilities	101	—	949
Other	6,892	6,252	64,738
Total current liabilities	16,296	14,688	153,072
LONG-TERM LIABILITIES:			
Provision for employee stock ownership plan	628	478	5,899
Lease obligations	85	94	798
Deferred tax liabilities	25	30	235
Asset retirement obligations	6,535	5,992	61,385
Other	221	214	2,076
Total long-term liabilities	7,496	6,811	70,411
Total liabilities	23,792	21,499	223,483
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Capital stock	8,612	8,612	80,894
Capital surplus	10,663	10,631	100,160
Retained earnings	71,807	67,727	674,497
Treasury stock	(6,887)	(6,020)	(64,691)
Total shareholders' equity	84,196	80,951	790,870
Accumulated other comprehensive income			
Translation adjustments	353	2,017	3,316
Total accumulated other comprehensive income	353	2,017	3,316
Subscription rights to shares	627	427	5,890
Total net assets	85,177	83,396	800,085
TOTAL LIABILITIES AND NET ASSETS	¥ 108,970	¥ 104,896	\$ 1,023,577

Consolidated Statements of Income

Millions of Yen

Thousands of U.S. Dollars (Note 1)

Years Ended August 31, 2019 and 2018	2019	2018	2019
NET SALES	¥ 156,527	¥ 154,063	\$ 1,470,289
COST OF SALES	56,277	56,268	528,621
Gross profit	100,250	97,795	941,668
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	90,651	89,154	851,503
Operating income	9,599	8,640	90,165
NON-OPERATING INCOME:	344	329	3,231
Interest income	254	228	2,386
Dividend income	—	0	—
Compensation income	24	30	225
Other	65	70	611
NON-OPERATING EXPENSES:	212	74	1,991
Interest expenses	4	2	38
Foreign exchange loss	69	30	648
Loss on valuation of derivatives	101	—	949
Other	36	41	338
Ordinary income	9,731	8,895	91,405
SPECIAL INCOME:	16	76	150
Compensation income	15	70	141
Gain on reversal of subscription rights to shares	—	5	—
Other	0	—	0
SPECIAL LOSS:	2,304	1,368	21,642
Impairment loss	2,170	1,228	20,383
Loss on retirement of fixed assets	93	81	874
Store closure loss	40	58	376
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,443	7,603	69,914
Current income taxes	3,148	2,676	29,570
Deferred income taxes	(685)	(147)	(6,434)
Total income taxes	2,462	2,529	23,126
Net income	4,980	5,074	46,778
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 4,980	¥ 5,074	\$ 46,778

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Consolidated Statements of Cash Flows

Millions of Yen

Thousands of U.S. Dollars (Note 1)

Years Ended August 31, 2019 and 2018	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,443	¥ 7,603	\$ 69,914
Depreciation and amortization	6,228	6,297	58,501
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(0)
Increase (decrease) in accrued bonuses	153	(98)	1,437
Increase (decrease) in provision for employee stock ownership plan	150	149	1,409
Increase (decrease) in reserve for special benefit for shareholders	(60)	95	(564)
Interest income	(254)	(228)	(2,386)
Interest expenses	4	2	38
Foreign exchange loss (gain)	47	61	441
Loss (gain) on valuation of derivatives	101	—	949
Loss on retirement of fixed assets	93	81	874
Store closure loss	40	58	376
Impairment loss	2,170	1,228	20,383
Compensation income	(15)	(70)	(141)
Gain on reversal of subscription rights to shares	—	(5)	—
Decrease (increase) in accounts receivable—tenants	(702)	(58)	(6,594)
Decrease (increase) in inventories	473	(478)	4,443
Decrease (increase) in other current assets	(173)	(603)	(1,625)
Increase in accounts payable—trade	1	410	9
Increase (decrease) in other current liabilities	778	(675)	7,308
Other	281	331	2,639
Subtotal	16,761	14,098	157,439
Interest and dividends received	224	194	2,104
Interest paid	(4)	(2)	(38)
Income tax paid	(2,290)	(4,048)	(21,510)
Proceeds from compensation	15	70	141
Net cash provided by operating activities	14,705	10,313	138,127
INVESTING ACTIVITIES:			
Payments into time deposits	(80)	—	(751)
Purchase of tangible fixed assets	(5,449)	(7,362)	(51,184)
Purchase of intangible fixed assets	(153)	(315)	(1,437)
Payments for caution money, guarantee money and cooperative advances for construction	(587)	(489)	(5,514)
Proceeds from collection of caution, guarantee money and cooperative advances for construction	590	502	5,542
Payments for loans receivable	(44)	—	(413)
Other payments	(291)	(352)	(2,733)
Net cash used in investing activities	(6,016)	(8,017)	(56,509)
FINANCING ACTIVITIES:			
Purchase of treasury stock	(1,000)	(970)	(9,393)
Proceeds from exercise of share options	48	105	451
Dividends paid	(901)	(905)	(8,463)
Net cash provided by (used in) financing activities	(1,853)	(1,770)	(17,406)
TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	(1,132)	(450)	(10,633)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,703	75	53,569
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	37,486	37,410	352,113
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 43,189	¥ 37,486	\$ 405,683

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥106.46=US\$1, the approximate rate of exchange on August 31, 2019.

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Consolidated Statement of Changes in Net Assets

Millions of Yen

Year Ended August 31, 2019	Shareholders' equity				Total shareholders' equity	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock		Translation adjustments	Total accumulated other comprehensive income		
BALANCE AS OF SEPTEMBER 1, 2018	¥8,612	¥10,631	¥67,727	¥(6,020)	¥80,951	¥2,017	¥2,017	¥427	¥83,396
Changes during the term									
Dividends			(900)		(900)				(900)
Profit attributable to owners of parent			4,980		4,980				4,980
Acquisition of treasury stock				(1,000)	(1,000)				(1,000)
Disposal of treasury stock		32		133	165				165
Net changes of items other than shareholders' equity						(1,664)	(1,664)	199	(1,464)
Total changes during the term	—	32	4,079	(867)	3,244	(1,664)	(1,664)	199	1,780
BALANCE AS OF AUGUST 31, 2019	¥8,612	¥10,663	¥71,807	¥(6,887)	¥84,196	¥353	¥353	¥627	¥85,177

Thousands of U.S. Dollars (Note 1)

Year Ended August 31, 2019	Shareholders' equity				Total shareholders' equity	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock		Translation adjustments	Total accumulated other comprehensive income		
BALANCE AS OF SEPTEMBER 1, 2018	\$80,894	\$99,859	\$636,173	\$(56,547)	\$760,389	\$18,946	\$18,946	\$4,011	\$783,355
Changes during the term									
Dividends			(8,454)		(8,454)				(8,454)
Profit attributable to owners of parent			46,778		46,778				46,778
Acquisition of treasury stock				(9,393)	(9,393)				(9,393)
Disposal of treasury stock		301		1,249	1,550				1,550
Net changes of items other than shareholders' equity						(15,630)	(15,630)	1,869	(13,752)
Total changes during the term	—	301	38,315	(8,144)	30,472	(15,630)	(15,630)	1,869	16,720
BALANCE AS OF AUGUST 31, 2019	\$80,894	\$100,160	\$674,497	\$(64,691)	\$790,870	\$3,316	\$3,316	\$5,890	\$800,085

Notes: (1) The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥106.46=US\$1, the approximate rate of exchange on August 31, 2019.

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Corporate Data and Shareholders' Information

Corporate Data

As of August 31, 2019

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	4,143 (Full-time employees; on a consolidated basis)
Number of Outlets	1,504 (1,093 in Japan and 411 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	Noboru Nagaoka
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 27, 2019

Shareholders' Information

As of August 31, 2019

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	44,536

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.	2,673	5.11
Saizeriya Employees' Stock Holding Association	1,822	3.48
Japan Trustee Services Bank, Ltd. (Trust Account)	1,352	2.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	966	1.84
GOVERNMENT OF NORWAY	813	1.55
Trust & Custody Services Bank, Ltd. (Trust E Account)	688	1.31
Japan Trustee Services Bank, Ltd. (Trust Account 5)	637	1.22
Japan Trustee Services Bank, Ltd. (Trust Account 9)	548	1.04

Ownership of Shares by Category

	Number of Shareholders	Number of Shares Held* (Unit: 100 shares)	Percentage of Total Shares (%)
Japanese financial institutions	29	6,426,200	12.3
Japanese securities companies	27	877,000	1.7
Other Japanese corporations	229	4,616,900	8.8
Foreign corporations and individuals	222	7,000,400	13.4
Japanese individuals and others	44,029	33,285,400	63.8
Total	44,536	52,205,900	100.00

*Odd-lot shares are excluded.



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