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July 31, 2015

Summary of Financial Results of the First Quarter of the Fiscal Year Ending March 31, 2016 [Japanese standards] (Consolidated)

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 Securities code: 8163 URL: <http://www.sato-restaurant-systems.co.jp>
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 Scheduled date of filing of quarterly report: August 11, 2015
 Scheduled date of payment of dividend: N/A
 Preparation of supplementary references regarding quarterly results: No
 Holding the briefing of quarterly results: No

(All amounts are rounded down to the nearest million yen)
(△ means decrease)

1. Financial results of the First Quarter of the Fiscal Year Ending March 31, 2016 (April 1, 2015 – June 30, 2015)

(1) Consolidated operating results (cumulative total)

(Percentages represent changes from previous year)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY03/2016	9,386	5.3	35	△41.0	5	△83.6	△43	—
1Q FY03/2015	8,918	38.5	59	6.7	31	△50.2	△12	—

(Note) Comprehensive income 1Q FY03/2016: 23 million yen (3.6%)
 1Q FY03/2015: 22 million yen (△68.8%)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
1Q FY03/2016	△1.47		—	
1Q FY03/2015	△0.45		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
1Q FY03/2016	28,350		14,681		51.3		438.34	
1Q FY03/2015	24,272		10,456		42.5		365.89	

(Reference) Shareholders equity: 1Q FY03/2016: 14,556 million yen
 1Q FY03/2015: 10,321 million yen

2. Dividends

	Annual dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
FY ending March 31, 2015	—	—	—	5.00	5.00
FY ending March 31, 2016	—	—	—	5.00	5.00
FY ending March 31, 2016 (forecasts)	—	—	—	5.00	5.00

(NOTE) Revisions to dividend forecasts published most recently: None

3. Consolidated performance forecasts for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentages represent changes from previous year; △ means decrease)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (cumulative total)	19,700	5.6	400	△28.2	370	△36.7	100	△67.3	3.22
Full term	40,900	7.7	1,260	6.5	1,220	8.3	490	△41.7	15.29

(NOTE) Revisions to performance forecasts published most recently: None

***Notes**

- (1) Changes in important subsidiaries during the current quarterly consolidated cumulative period (changes in specific subsidiaries resulting in modifications of the consolidation scope): None
New company: None
Excluded company: None
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes and restatements of accounting estimates
- | | |
|---|------|
| 1) Changes in accounting principles caused by revision of accounting standards: | Yes |
| 2) Changes other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |
- (4) Number of outstanding shares (common shares)
- | | |
|---|-------------------|
| 1) Number of shares outstanding at the end of the period (including treasury stock) | |
| 1Q FY03/2016: | 33,209,080 shares |
| 1Q FY03/2015: | 28,209,080 shares |
| 2) Number of treasury stock at the end of the period | |
| 1Q FY03/2016: | 163 shares |
| 1Q FY03/2015: | 163 shares |
| 3) Average number of shares outstanding during the period (quarterly cumulative) | |
| 1Q FY03/2016: | 29,458,917 shares |
| 1Q FY03/2015: | 28,208,958 shares |

*** Presentation concerning implementation status of quarterly review procedures**

These quarterly financial results are not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the time of disclosing these quarterly financial results, review procedures regarding the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

*** Explanation regarding appropriate use of the earnings forecast and other special notes**

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered to be reasonable, and therefore actual business performance and other elements may differ substantially due to various factors.

○ Table of Contents: Appendix

1. Qualitative Information regarding the Current Quarter.....	2
(1) Descriptions regarding operating results.....	2
(2) Descriptions regarding financial position	3
(3) Descriptions regarding future prospects such as consolidated performance forecasts	3
2. Matters regarding Summary Information (Notes).....	4
(1) Changes in important subsidiaries during the current consolidated cumulative period	4
(2) Application of special accounting methods to the preparation of quarterly consolidated financial statement	4
(3) Changes in accounting principles, changes and restatements of accounting estimates	4
3. Summary of Important Information for Going Concern Assumption	4
4. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Statement of Comprehensive Income	7
Quarterly Consolidated Statements of Income	
For the first quarter consolidated cumulative period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the first quarter consolidated cumulative period	8
(3) Notes on Quarterly Consolidated Financial Statements.....	9
(Going Concern Assumption).....	9
(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)	9
(Segment Information, etc.)	9

1. Qualitative Information regarding the Current Quarter**(1) Descriptions regarding operating results**

The Group aims to be "the restaurant that brings the highest customer satisfaction", promoting various measures proactively, and has also continued its effort towards accelerated opening of new fast-casual restaurants and increasing profitability of pre-existing restaurant categories in order to achieve its basic policy for the new mid-term management plan, namely "to be an essential social infrastructure and prosper over 100 years to come".

In addition, positioning the current term as "period for growth and development" flowing from the previous term, and in an attempt to steadily implement its mid-term management plan and to further enhance its financial base, the Group decided at its board meeting held on May 15, 2015 to issue new shares through public offering, which led to fund-raising of 4,342 million yen in total. These funds are intended to be allocated to opening new restaurants; renovating existing restaurants; investment in facilities related to core system and others; financial investment to overseas development; and to repay some of its loans.

① Consolidated performance

(million yen; △ means decrease)

	1Q FY03/2015			1Q FY03/2016		
	Actual results	+/- amounts YoY	+/-% YoY	Actual results	+/- amounts YoY	+/-% YoY
Net sales	8,918	2,479	38.5%	9,386	468	5.3%
Operating income	59	3	6.7%	35	△24	△41.0%
Ordinary income	31	△31	△50.2%	5	△26	△83.6%
Income attributable to owners of parent	△12	△58	—	△43	△30	—

Net sales increased due to increase in number of restaurants in operation and solid growth of sales of existing restaurants. Although profitability in the current first quarter was lower as compared to previous year because of increase in labor cost and of expenses associated with capital expansion by public offering carried out in June, 2015, the profitability has maintained adequate level largely as expected.

② Measures for opening new restaurants

(million yen; △ means decrease)

Category	As of end of previous consolidated fiscal year	Newly opened restaurants	As of end of the current first quarter consolidated fiscal period	Planned to open during the current consolidated fiscal year
Washoku Sato	198 (—)	1 (—)	199 (—)	3 (—)
Sushihan	14 (—)	— (—)	14 (—)	— (—)
Tendon & Tempura Honpo Santen	12 (—)	1 (—)	13 (—)	20 (4)
Nigiri CHOJIRO	52 (—)	— (—)	52 (—)	4 (—)
Nigiri CHUJIRO	3 (—)	— (—)	3 (—)	3 (—)
Katsuya	23 (11)	3 (1)	26 (12)	16 (10)
Miyakobito	21 (20)	— (—)	21 (20)	— (—)
Total	323 (31)	5 (1)	328 (32)	46 (14)

NOTE: Numbers in parentheses represent FC restaurants

In addition to the restaurants newly opened during the current first quarter consolidated cumulative period, contracts have already been executed to open 8 new restaurants (as of June 30, 2015).

Moreover, "Washoku Sato MOI branch" was opened in May, 2015, as our second restaurant in Indonesia, leading to 7 restaurants in total overseas, including 4 in Taiwan, 2 in Indonesia and 1 in Thailand; and the Group has currently 335 restaurants in operation domestic and overseas.

③ Other measures

With respect to human resource measures, as part of our personnel system reform to build up environment in which every employee could fulfill his/her potential to the maximum extent, "short-working-hours regular employee system" was introduced in October, 2014, followed by reconstruction of job-groups being the base of our personnel system and by change in the job-group system allowing wide variety of work styles. In addition, we have started attendance management by means of vein authentication using terminals to clock in/out so that burdens of in-store operations could be reduced by abolishing the time card system, and we have started to work on higher efficiency in headquarters tasks by outsourcing payroll-related operations.

Operational measures include sales of event-premium commodities with season specific themes as brushing up "Sato-Shabu" a very popular menu of all-you-can-eat style Shabu-Shabu at "Washoku Sato" restaurants, and TV commercial featuring well-known talents has continued to be broadcasted, as part of our efforts to acquire new customers. At "Nigiri CHOJIRO" restaurants, the greatest joy is that customers would say "Delicious!" and they deliver seasonal menu making use of fresh raw materials. In addition, 4 restaurants were renovated.

It should be noted that the Group is a single segment of food service business and therefore description of segmental performance is omitted.

(2) Descriptions regarding financial position

(Total assets)

Total assets at the end of the current first quarter consolidated fiscal period were 28,350 million yen (increase by 4,077 million yen YOY).

Current assets were 11,458 million yen (increase by 3,932 million yen YOY). This is mainly due to, for example, increase in cash and deposits by 3,778 million yen.

Fixed assets were 16,888 million yen (increase by 146 million yen YOY). This is mainly due to, for example, increase in investment securities by 135 million yen.

(Liabilities)

Current liabilities at the end of the current first quarter consolidated fiscal period were 7,765 million yen (increase by 481 million yen YOY). These include mainly increase in short-term loans payable by 1,000 million yen, increase in accounts payable-other by 469 million yen and decrease in reserve for bonuses by 315 million yen.

Fixed liabilities were 5,902 million yen (decrease by 628 million yen YOY). This is mainly due to, for example, decrease in long-term loans payable by 555 million yen.

(Net assets)

Net assets at the end of the current first quarter consolidated fiscal period were 14,681 million yen (increase by 4,224 million yen YOY).

(3) Descriptions regarding future prospects such as consolidated performance forecasts

There is no change in consolidated performance forecasts for the second quarter consolidated cumulative period and for the full term, as announced in the Summary of Financial Results on May 12, 2015.

2. Matters regarding Summary Information (Notes)

- (1) Changes in important subsidiaries during the current quarterly consolidated cumulative period
Not applicable.
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement
Not applicable.

- (3) Changes in accounting principles, changes and restatements of accounting estimates
(Application of Accounting Standard for Business Combination, etc.)

"Accounting Standard for Business Combination" (Corporate Accounting Standard No. 21 of September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (Corporate Accounting Standard No. 22 of September 13, 2013), and "Accounting Standard for Business Divestitures" (Corporate Accounting Standard No. 7 of September 13, 2013) have been applied to the Group's accounting method since the current first quarter consolidated fiscal period, and therefore balance amount due to change in equity interest which the Group has in its subsidiaries in case of continuous control over them is allocated as capital surplus and expenses related to acquisition are allocated as having been incurred during the consolidated fiscal year during which such acquisition took place. With respect to business combination to be carried out after the beginning of the current first quarter consolidated fiscal period, accounting method has been revised so that allocation amount of acquisition cost readjusted due to ascertainment of provisional accounting treatment should be reflected on the quarterly consolidated financial statements for the quarterly consolidated fiscal period during which relevant business combination took place. In addition, the manner in which quarterly net profit and others are represented has been revised; and reference to "minority shareholders" has been changed to as "non-controlling shareholders". In order to reflect such changes in representation, quarterly consolidated financial statements for the first quarter of the previous consolidated cumulative fiscal period and consolidated financial statements for the previous consolidated fiscal year were reconstructed accordingly.

Application of Accounting Standards for Business Combination and for others are in compliance with the transitional treatments as set out in Accounting Standard for Business Combination, Sec. 58-2 (4), Accounting Standard for Consolidated Financial Statements, Sec. 44-5 (4), and Accounting Standard for Business Divestitures, Sec. 57-4 (4), having been applied since the beginning of the current first quarter consolidated fiscal period and onwards.

These have no effect on the Group's loss/profit.

3. Summary of Important Information for Going Concern Assumption

Not applicable.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Thousand yen; △ means decrease)	
	Previous consolidated fiscal year (March 31, 2015)	Current first quarter consolidated fiscal period (June 30, 2015)
Assets		
Current assets		
Cash and deposits	5,532,308	9,310,412
Accounts receivable - trade	541,833	518,329
Merchandise	36,395	32,608
Raw materials and supplies	651,647	685,780
Deferred tax assets	250,648	303,102
Other	514,238	608,715
Allowance for doubtful accounts	△477	—
Total current assets	7,526,595	11,458,947
Non-current assets		
Property, plant and equipment		
Buildings, net	2,522,630	2,562,413
Land	4,742,506	4,742,506
Other, net	2,104,254	2,062,814
Total property, plant and equipment	9,369,391	9,367,734
Intangible assets		
Goodwill	1,206,282	1,183,805
Other	822,990	810,178
Total intangible assets	2,029,273	1,993,984
Investment and other assets		
Investment securities	822,623	958,347
Long-term loans receivable	698,913	681,898
Guarantee deposits	3,051,899	3,052,886
Deferred tax assets	401,559	361,033
Other	383,435	487,331
Allowance for doubtful accounts	△14,665	△14,707
Total investments and other assets	5,343,765	5,526,788
Total non-current assets	16,742,431	16,888,507
Deferred assets	3,259	2,610
Total assets	24,272,286	28,350,066

	(Thousand yen; Δ means decrease)	
	Previous consolidated fiscal year (March 31, 2015)	Current first quarter consolidated fiscal period (June 30, 2015)
Liabilities		
Current liabilities		
Accounts payable - trade	1,111,667	994,521
Short-term loans payable	—	1,000,000
Current portion of bonds	100,000	100,000
Current portion of long-term loans payable	2,403,186	2,301,000
Accounts payable-other	1,686,382	2,156,287
Income taxes payable	297,104	136,866
Provision for bonuses	471,966	156,203
Other	1,214,125	920,909
Total current liabilities	7,284,433	7,765,787
Non-current liabilities		
Bonds payable	50,000	—
Long-term loans payable	4,398,835	3,842,990
Deferred tax liabilities for land revaluation	289,282	289,282
Deferred tax liabilities	84,719	83,030
Provision for directors' retirement benefits	31,403	29,578
Asset retirement obligations	478,446	485,849
Other	1,198,225	1,172,068
Total non-current liabilities	6,530,912	5,902,800
Total liabilities	13,815,345	13,668,587
Net assets		
Shareholders' equity		
Capital stock	6,361,756	8,532,856
Capital surplus	2,810,575	4,981,675
Retained earnings	1,535,148	1,350,741
Treasury shares	Δ 129	Δ 129
Total shareholders' equity	10,707,350	14,865,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	228,418	306,100
Revaluation reserve for land	Δ 614,436	Δ 614,436
Total accumulated other comprehensive income	Δ386,018	Δ308,335
Non-controlling interests	135,607	124,670
Total net assets	10,456,940	14,681,478
Total liabilities and net assets	24,272,286	28,350,066

(2) Quarterly Consolidated Statements of Income and Statement of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the first quarter consolidated cumulative period)

	(Thousand yen; △ means decrease)	
	Previous first quarter consolidated cumulative period (April 1, 2014 - June 30, 2014)	Current first quarter consolidated cumulative period (April 1, 2015 - June 30, 2015)
Net sales	8,918,510	9,386,985
Cost of sales	3,035,461	3,222,149
Gross profit	5,883,049	6,164,836
Selling, general and administrative expenses	5,823,358	6,129,596
Operating income	59,691	35,239
Non-operating income		
Interest income	3,159	3,298
Dividend income	6,702	7,038
House rent income	25,481	25,480
Foreign exchange gains	—	21,384
Miscellaneous income	21,275	13,733
Total non-operating income	56,618	70,934
Non-operating expenses		
Interest expenses	39,645	35,244
Rent expenses on real estates	20,929	20,686
Share issuance cost	—	28,261
Foreign exchange losses	13,759	—
Miscellaneous loss	10,501	16,833
Total non-operating expenses	84,835	101,025
Ordinary income	31,473	5,147
Extraordinary income		
Gain on sales of non-current assets	4,129	—
Total extraordinary income	4,129	—
Extraordinary losses		
Loss on retirement of non-current assets	6,459	3,101
Total extraordinary losses	6,459	3,101
Income before income taxes and minority interests	29,142	2,046
Income taxes - current	85,034	106,854
Income taxes - deferred	△45,993	△50,508
Total income taxes	39,040	56,345
Loss	△9,897	△54,299
Profit (loss) attributable to non-controlling interests	2,693	△10,936
Loss attributable to owners of parent	△12,591	△43,262

(Quarterly Consolidated Statement of Comprehensive Income)
(For the first quarter consolidated cumulative period)

	(Thousand yen; △ means decrease)	
	Previous first quarter consolidated cumulative period (April 1, 2014 - June 30, 2014)	Current first quarter consolidated cumulative period (April 1, 2015 - June 30, 2015)
Loss	△9,897	△54,299
Other comprehensive income		
Valuation difference on available-for-sale securities	32,473	77,682
Total other comprehensive income	32,473	77,682
Comprehensive income	22,575	23,383
(detail)		
Comprehensive income attributable to owners of parent	19,882	34,320
Comprehensive income attributable to non-controlling interests	2,693	△10,936

(3) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company has its capital stock and capital surplus increased by 2,171,000,000 yen, respectively, due to capital expansion through public offering, the due date of payment of which was June 1, 2015.

(Segment Information, etc.)

The Group is a single segment of food service business and therefore description of segment information, etc. is omitted.