SATO RESTAURANT
SYSTEMS GROUP

Sato Restaurant Systems Co., Ltd.

Financial year ending March 2017 Financial Results Explanatory Material

Listed on TSE 1st Section: Security Code 8163

May 18, 2017

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Contents

Summary of Financial Results for the Fiscal Year Ending March 2017 and Forecast for this Term

Mid-term Business Plans (reviewing and revising)

Appendix

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Summary of Financial Results for the Fiscal Year Ending March 2017 and Forecast for this Term

Business Highlights for the Fiscal Year Ending March 2018

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♦Net Sales 43,354 million yen, up 8.2% or 3,293 million

from the previous consolidated fiscal year

Revenue increase due to M&A (Net sales of Miyamoto Munashi from September to March: approx.1.9 billion yen)
Revenue increase due to new restaurant openings

♦Operating profit 405 million yen, down 25.1% or 136 million yen YOY
Ordinary profit 416 million yen, up 15.3% or 55 million yen YOY

Operating profit declines due to M&A advisory expense of Miyamoto Munashi
Ordinary profit rises due to foreign exchange gains caused by a weak yen since the end of the last year

♦ Attributable to shareholders of parent company Net profit ▲ Down 234 million yen compared to the previous period, ▲ down 240 million yen

Losses incurred by impairment loss of restaurants in operation, investment evaluation loss in overseas joint ventures, extraordinary losses due to lump-sum payments to employees with Sushi-han share transfer.

Unconsolidated Business Results for the Fiscal Year Ending March 2017

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Unit: million yen

	The First Half of the Fiscal Year		The Second Half of the Fiscal Year		Throughout the Year	
	Performance	**Change from Previous Term**	**Performance**	**Change from Previous Term**	**Performance**	**Change from Previous Term**
Net Sales	20,291	＋586	23,064	＋2,707	43,354	＋3,293
Total Gross Profit (sales ratio)	13,383 (66.0)	＋422 (＋0.2)	15,086 (65.4)	＋1,849 (＋0.4)	28,469 (65.7)	＋2,272 (＋0.3)
Selling, general and administrative expenses (sales ratio)	13,323 (65.7)	＋867 (＋2.4)	14,739 (63.9)	＋1,541 (△0.9)	28,063 (64.7)	＋2,408 (＋0.7)
Operating profit	59	▲444	346	＋308	405	▲136

Significant decline in the first-half due to a downturn in sales results of the existing restaurants, uncontrolled personnel expenses, M&A expenses and others.

The second-half went into recovery mode due to favorable eat-all-you-want sales at Washoku Sato, improved sales in existing restaurants and better expense control.

Profit/loss Analysis on Operating Profit for the Fiscal Year Ending March 2018

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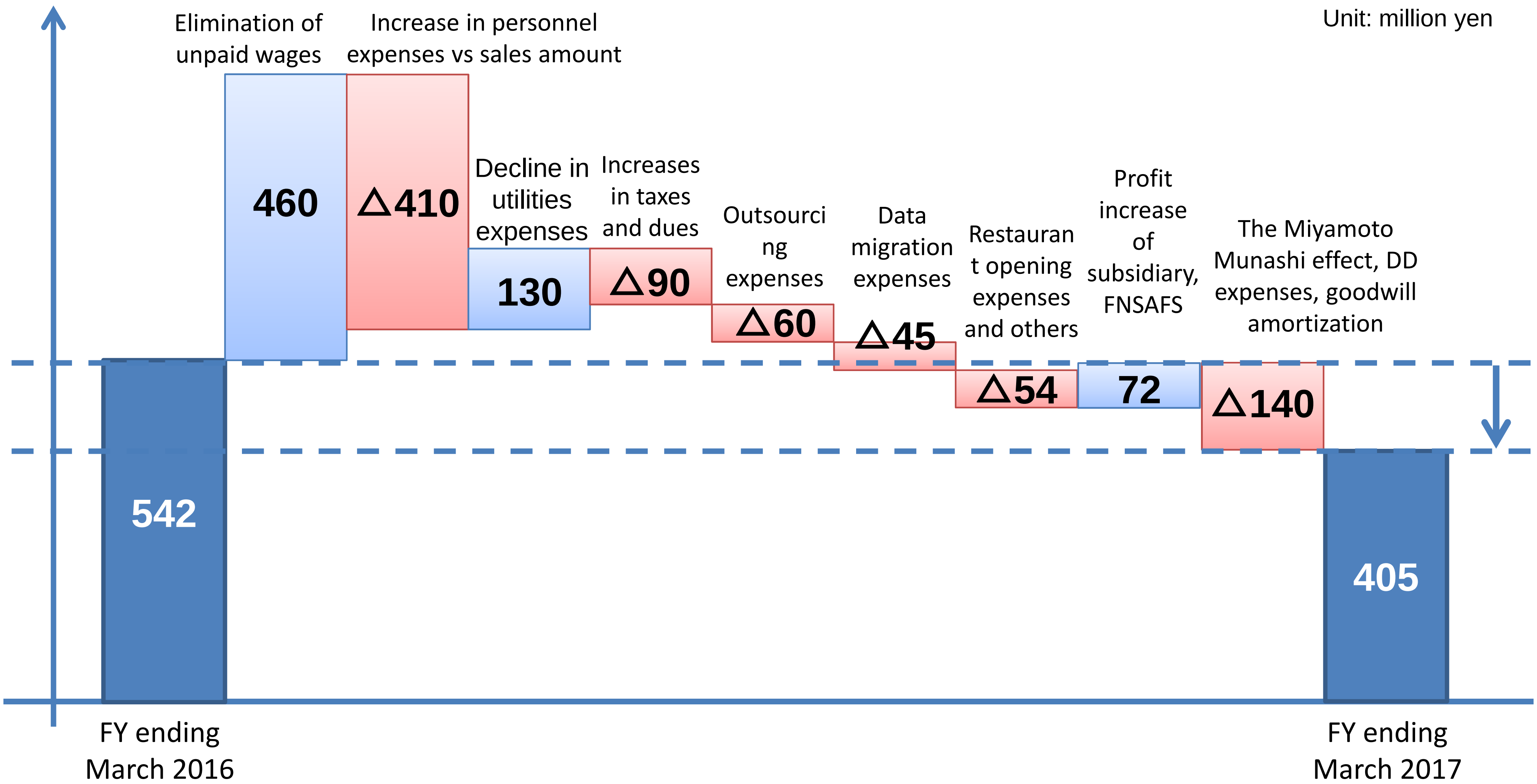
With the elimination of unpaid wages, work environment improvements, rise in labor expenses per worker and social insurance premiums have caused the significant increases in ordinary personal expenses. Profits were down due to expenses related to the share acquisition of Minamoto Munashi Co., Ltd.



Number of Restaurants (Update on Restaurant Openings) for the Fiscal Year Ending March 2018

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Initially planned number of opening restaurants were not achieved, but 69 restaurants added with the acquisition of Miyamoto Munashi bring a significant increase in the number of restaurants compared with the previous fiscal year.

	Number of restaurants at the end of the previous term	New Restaurant openings		Restaurant closures	Number of restaurants at the end of the term
		Plans	Performance		
Washoku Sato	201	4	2	1	202
Santen	22	25(5)	18(1)	-	40(1)
Sushi-han (Shares transferred April 1, 2017)	14	-	-	1	13
Meotozenzai	1	-	-	-	1
Nigiri Chojiro/CHOJIRO	53	6	4	-	57
Nigiti Chujiro	6	-	-	-	6
Miyakobito	18(17)	-	-	3(3)	15(14)
Miyamoto Munashi (Acquired September 1, 2016)	-	-	-	-	69(7)
Katsuya	28(14)	11(6)	8(5)	-	36(19)
Overseas restaurants	6(5)	-	1	1(1)	6(4)
Group total	349(36)	46(11)	33(6)	6(4)	445(45)

Figures within parentheses indicate the number of franchises and branches, or if overseas, joint ventures.

Changes in Business Performance of Existing Restaurants for Fiscal Year Ending March 2017

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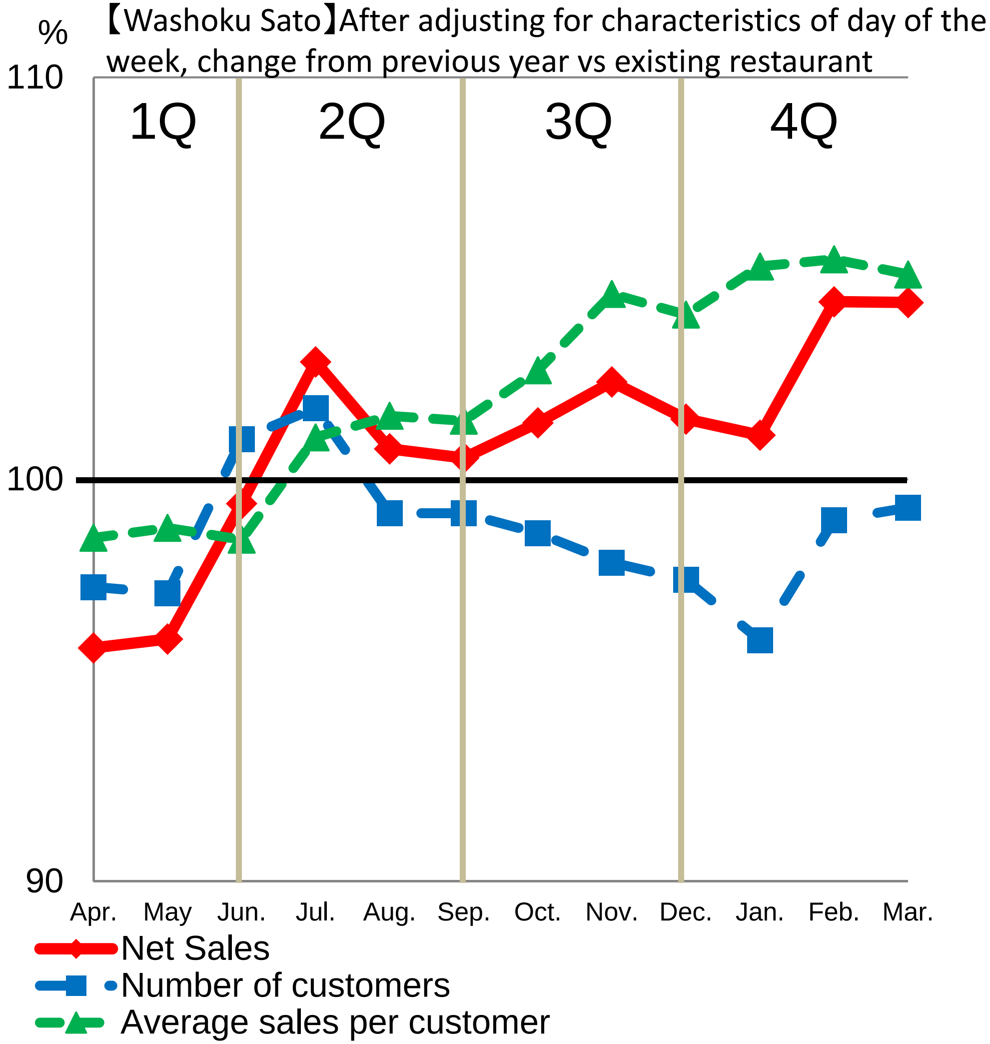
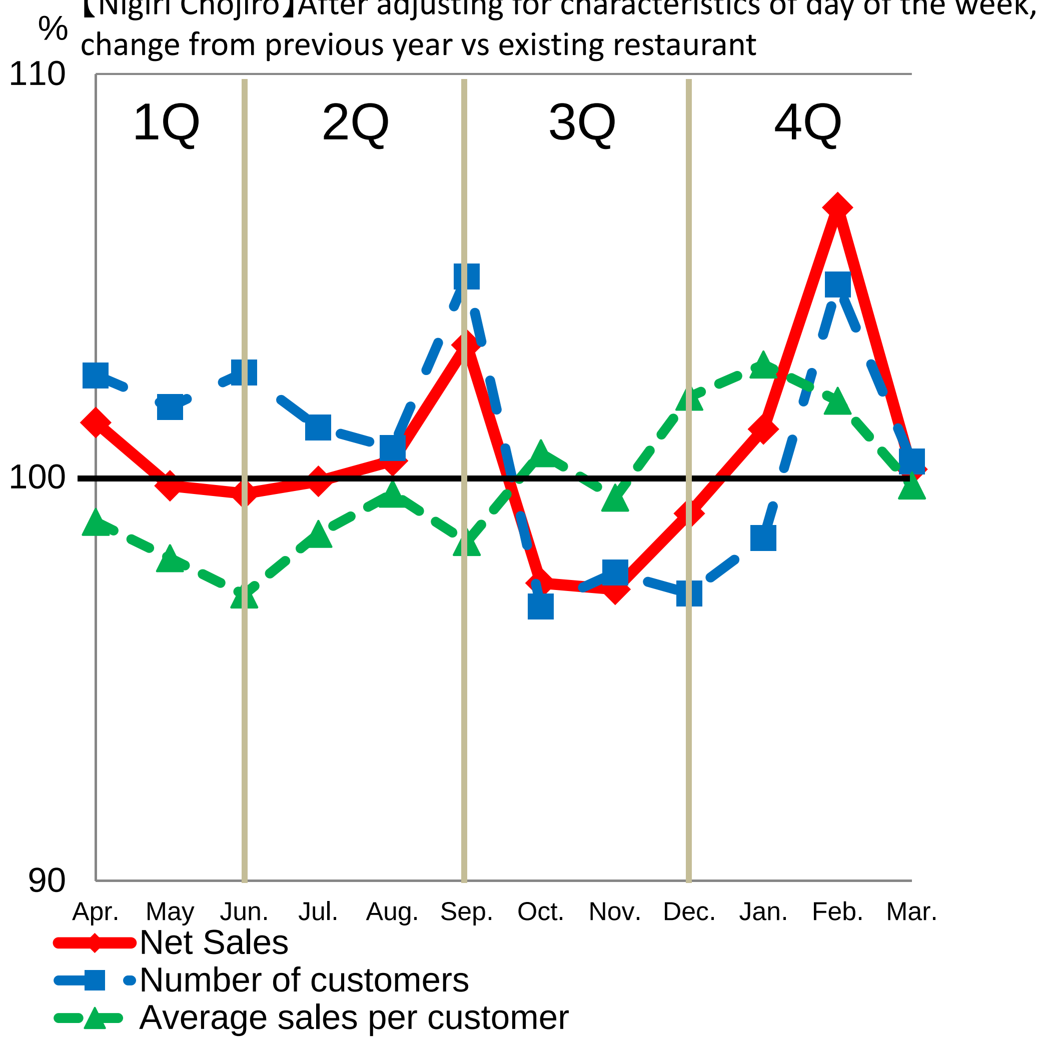
【Washoku Sato】Pronounced trend toward recovery from 2nd quarter onward. Increase in sales of all-you-can-eat led to positive sales result per customer.
【Nigiri Chojiro】Due to the influence by temperature, the results in the 3rd quarter fell below from the previous year, but the results in other areas, including sales and customer numbers were stable.

【Washoku Sato】After adjusting for characteristics of day of the week, change from previous year vs existing restaurant



【Nigiri Chojiro】After adjusting for characteristics of day of the week, change from previous year vs existing restaurant



M&A Performance for the Fiscal Year Ending March 2017

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Promoting optimization of business portfolio through selectivity and concentration on core business

1. Share acquisition of Miyamoto Munashi Co., Ltd. (9/1/2016)

- Purchase price: 2.4 billion yen
- Business: Operating 69 restaurants of Meshiya Miyamoto Munashi (chain restaurant for the general public at an average sale of 680 yen per customer)
- Business size: 3.3 billion yen annual revenue
- Purpose of acquisition: Enhancing the business serving low-priced menu items; opening a business within station-front shopping districts.

2. Share transfer of inaugural brand, Sushi-han (April 1st, 2017)

- Transfer price: 2,520 million yen
- Transferred to: Umenohana Co., Ltd.
- Summary of Sushi-han : 2 billion yen in annual revenue; 13 restaurants; Japanese restaurant specializing in hot pot and traditional Japanese dishes
- Purpose of share transfer: streamlining business through selectivity and concentration on core business (directing investment toward the growth of the business serving low-priced menu items)
- Profit/loss of share transfer: 300 million yen (accounted for fiscal year ending March 2018)

Labor Problems and Recurrence Prevention

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1. Up to now

- December 2015 : Findings by the Osaka Labor Bureau, "Special measures squad against extreme overwork."
- Since December 2015 : Autonomous internal investigation, creating and following through on recurrence preventative measures
- May 2016 : 460 million yen payout to employees for 2 years worth of unpaid overtime wages.
- September 29, 2016: Papers sent to the Osaka District Public Prosecutors Office involving our company and five of our employees.
- April 20, 2017 : Trial held and concluded at the Osaka Summary Court (for our company only, five employees were not prosecuted)

2. Revising work style toward recurrence prevention

1) Raising awareness of employees and managerial staff.
Accurate input into attendance system, enlightening through training, visiting top restaurants.
2) Preventing long work hours by reducing/changing assignments.
Shortening work hours (early morning, midnight, idle), re-considering inventory work
3) Increase workers and reducing work hours per worker
Increase employee addition plan and set budget; strengthening employee, part-time employment, build a support system.
4) Improving support system
Set up a help line outside of company.

Forecast of Unconsolidated Business Results for the Fiscal Year Ending March 2018

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Unit: million yen

	Performance for the fiscal year ending March 2017	Business results forecast for the fiscal year ending March 2018	Change from Previous Term
Net Sales	43,354	**45,000**	+1,646
Operating profit	405	**1,100**	+695
Ordinary profit	416	**1,100**	+684
Net profit attributable to shareholders of parent company	▲234	**450**	+684

Business results forecast summary for the fiscal year ending March 2018

[Net sales]
Down 1,900 due to share transfer of Sushi-han, up 1,450 due to Miyamoto Munashi effect, up 550 due to revenue increase of existing restaurants, up 1,550 from new restaurants.
[Profit]
Operating profit rate 2.4% (1.5 points improvement from the previous year), gross profit margin up 0.4, sales, general and administrative expenses up 1.1.
[New restaurants]
New restaurant opening plan: 25 restaurants

Profit/loss Analysis on Net Sales and Operating Profits for the Fiscal Year Ending March 2018

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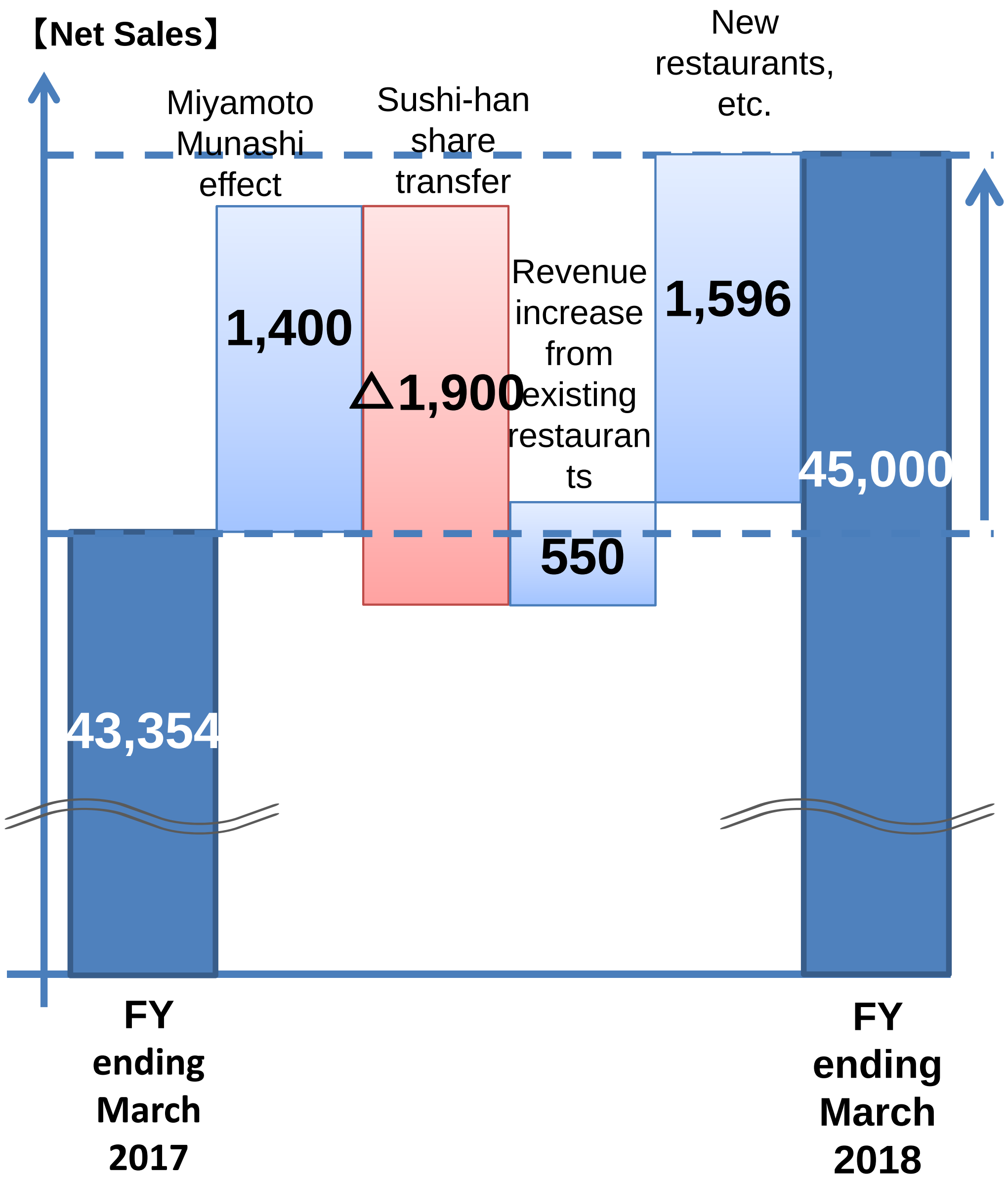
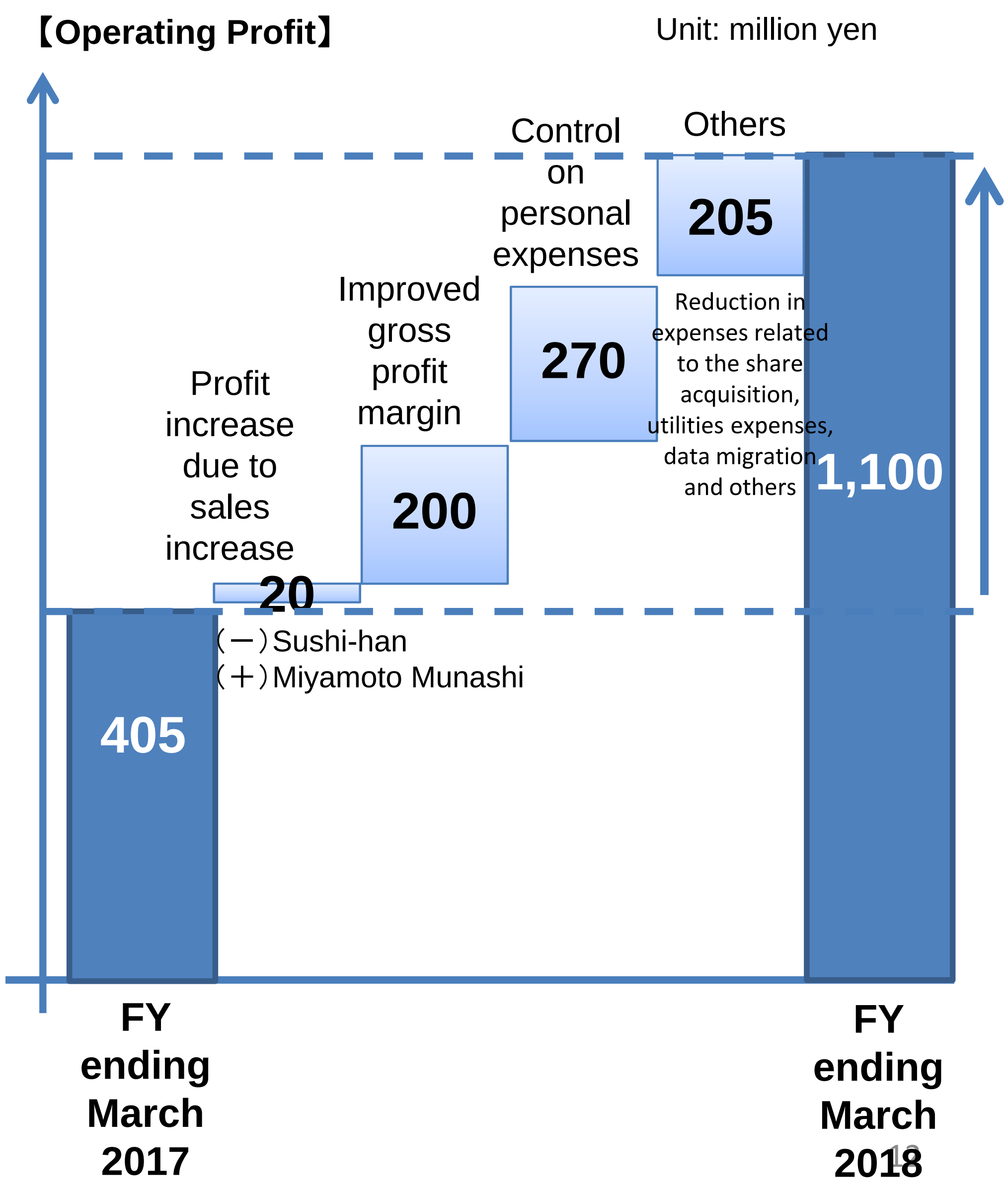
While maintaining new restaurant openings, we plan on increasing revenues and profits by making improvements on existing restaurants and controlling costs.





New Restaurant Opening Plan for the Fiscal Year Ending March 2018

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The number of restaurant openings dropped from 33 in the previous term to 25, focusing on improving existing restaurants

	Restaurant openings during the fiscal year ending March 2017	The number of restaurants as of the end of the fiscal year ending March 2017	New restaurant opening plan	Planned closures	The number of restaurants expected as of the end of the fiscal year ending March 2018
Washoku Sato	2	202	2	3	201
Santen	18(1)	40(1)	13(5)	-	53(6)
Sushi-han Share transfer April 1, 2017		13	-	-	-
Meotozenzai		1	-	-	1
Nigiri Chojiro/CHOJIRO	4	57	3	1	59
Nigiri Chujiro		6		-	6
Miyakobito		15(14)	-	-	15(14)
Miyamoto Munashi Acquisition September 1, 2016		69(7)	1	2	68(7)
Katsuya	8(5)	36(19)	5(3)	-	41(22)
Overseas restaurants	1	6(4)	1	-	7(4)
Group total	33(6)	445(45)	25(8)	6	451(53)

Figures within parentheses indicate the number of franchises and branches, or if overseas, joint ventures.

Major Policies for the fiscal year ending March 2018

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	Main Items	Contents of Measures
1	Washoku Sato	Introducing “Sato Bar Sato Cafes” system to all restaurants. *see Appendix for details (1) Self-serve drink bar delivers all-you-can-drink items at affordable prices; incentives for renewed patronage (2) With the refined interior, develop a branding strategy that reveals a whole new Washoku Sato image
2	Santen	- Full-time staff will be hired to initiate a full franchise development - Reinforcement of Marketing (Launch new product development, while continuing to pursue the 390 yen pricing for Ebi Tendon, rice balls with deep-fried prawns) - Further strengthening profitability toward multiple restaurant presence
3	Nigiri Chojiro/CHOJIRO	- Restaurant openings centered around Kansai (firmly maintaining Kansai's top position as a purveyor of gourmet conveyor belt sushi) - Opened Chojiro Hozenji branch, becoming the main flagship attraction for tourists. *see Appendix for details.
4	Miyamoto Munashi	- Complete renovations for a total image (bright and clean restaurant interior, appealing to expanded customer base) - Incorporating higher value-added new products (better sales per customer, gross profit margins). *see Appendix for details.
5	Katsuya	- Continuous restaurant opening in Kansai (direct store, franchises) - Increased profitability in existing restaurants
6	Optimized main office operations	- Sushi-han business transfer makes streamlining possible primarily in the merchandising department (from the second-half).
7	Strengthened Governance	- Settlement of corporate governance supervisory department (since April 1, 2017) - Transitioning from a company with a board of company auditors to a company with audit and supervisory committee (since June 29, 2017)
8	Organization restructuring	- Transitioning from a holding company (planned October 1, 2017) - Expedited decision-making due to separation of corporate strategy function from the business execution function.
9	Taiwan business	- Plans for the third restaurant opening (planned for December).

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Mid-term Business Plans (reviewing and correcting)

Mid-term Business Plans Vision

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Management Policies

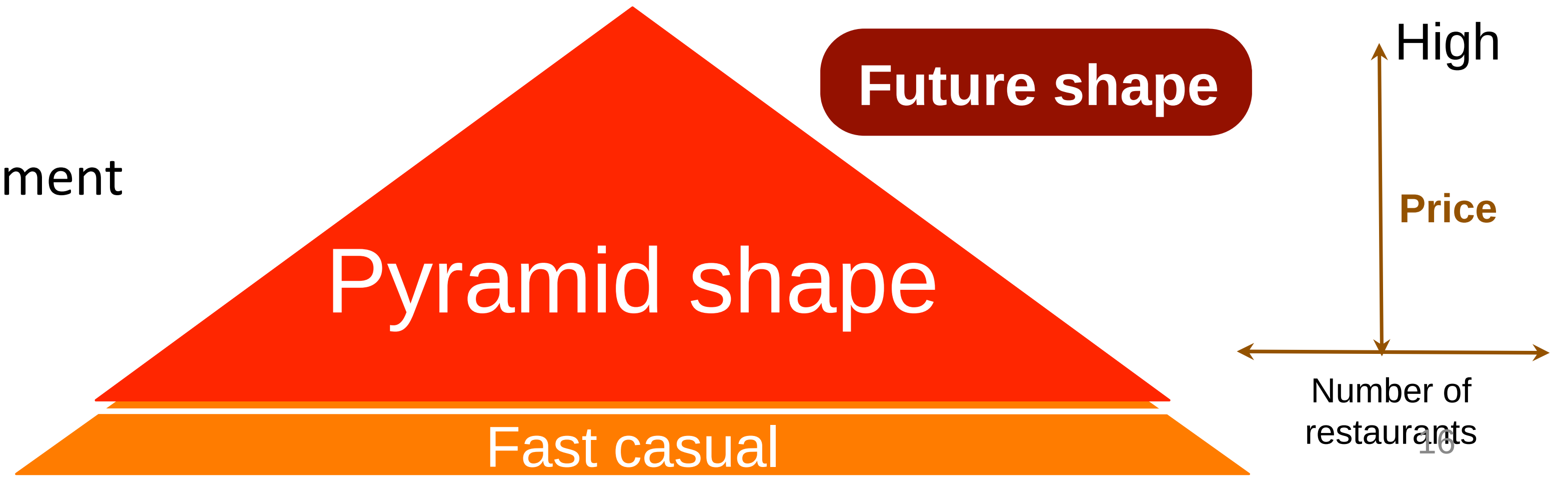
Creating restaurants most trusted by customers

・Vision

- ✓ Contributing toward a social infrastructure vital as a 100-year-old company
- ✓ Offering beloved Japanese food to the world, and aiming for a leadership role in the food-service industry as a corporate group.

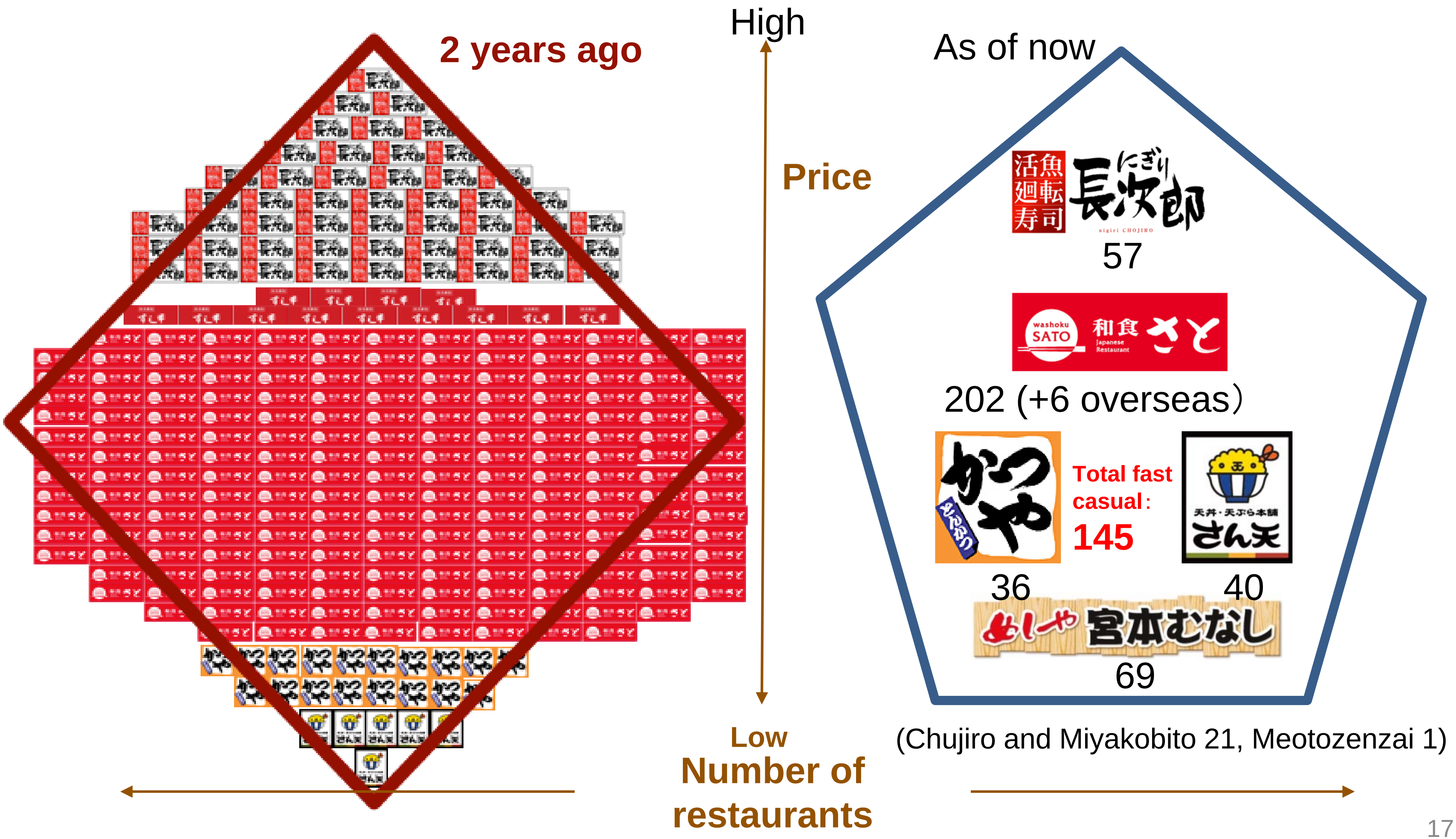
Changing our restaurant structure to a pyramid shape

Price hedging
Stable management foundation



Restaurant Structure (from diamond shape to house shape)

Broader appeal (fast casual business) due to acquisition of Miyamoto Munashi, Katsuya and Santen restaurant openings.



Review of Mid-term Business Plans as of Now

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Net sales are as planned for the most part, but ordinary profit declines considerably from the fiscal year ending March of 2016.

✓Results that exceeded plans

Sales of existing restaurants in core business	Net sales of existing Washoku Sato and Nigiri Chojiro restaurants were better than planned sales.

✓Main obstacles for unachieved plans

Increased personnel expenses	Expenses for improving work environment, part-time employees' hourly wage increase, social insurance premium increase, rise in hiring costs.
Delays in new business	Restaurant opening delays in the fast casual business Overseas business is concentrated in Taiwan

Correction in Current Mid-term Business Plan Values

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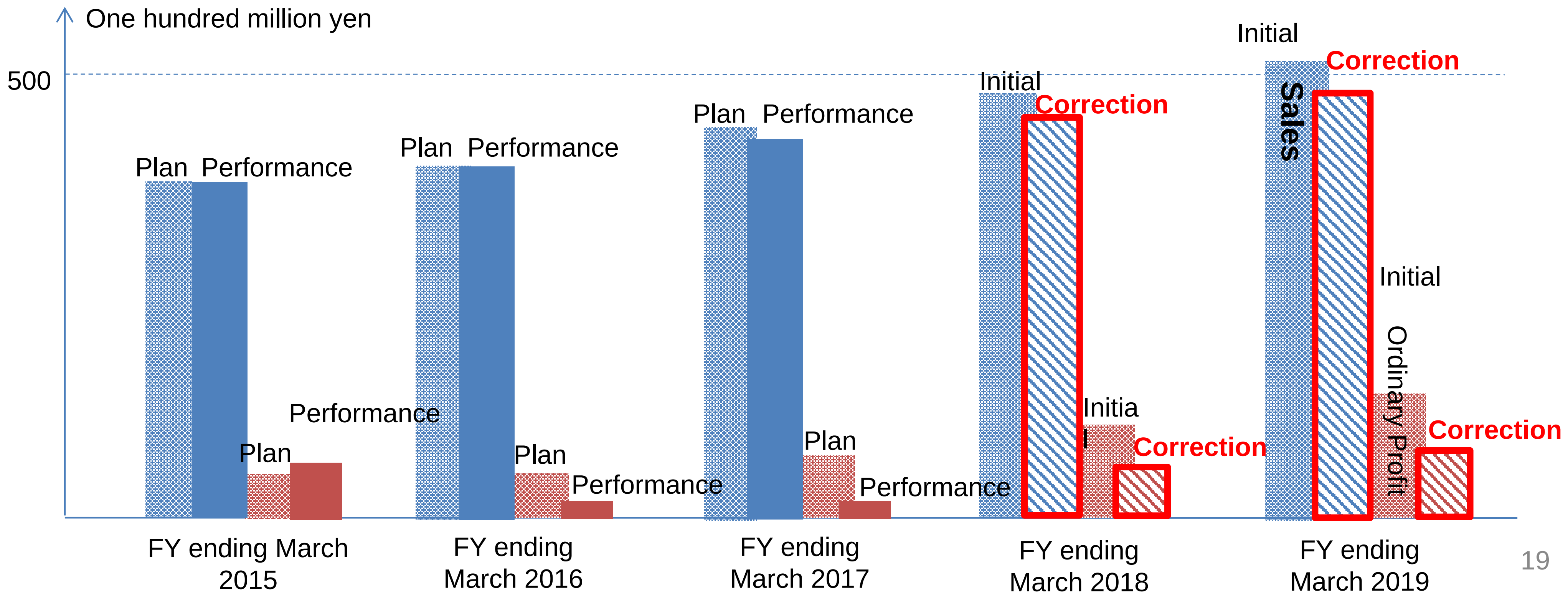
Recovering profitability as a priority in preparing for renewed growth.

	Performance for the fiscal year ending March 2017	Initial mid-term business plan for the fiscal year ending March 2019	Corrected mid-term business plan for the fiscal year ending March 2019
New sales	**43.3 billion yen**	**52 billion yen**	**47 billion yen**
Ordinary profit ratio	**1.0%**	**5.0%**	**3.0%**
Number of restaurants	**445 restaurants**	**600 restaurants**	**480 restaurants**
ROE	**—**	**8.0%**	**4.0%**
Equity ratio	**45.1%**	**More than 50%**	**More than 45%**



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Appendix

Balance Sheet (BS)

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Unit: million yen

	The end of the fiscal year ending March 2016	The end of the fiscal year ending March 2017	Profit/Loss
Current assets	10,765	10,906	+141
Fixed assets	17,053	20,449	+3,395
Current liabilities	7,352	7,592	+240
Fixed liabilities	5,936	9,565	+3,629
Net assets	14,531	14,284	△246
Total assets	27,820	31,443	+3,622

Increase in fixed assets and liabilities due to M&A of Miyamoto Munashi

Cash Flow Statement (CF)

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Unit: million yen

	The end of the fiscal year ending March 2016	The end of the fiscal year ending March 2017	Profit/Loss
Sales activity cash flow	1,261	1,637	+375
Investment activity cash flow	△1,579	△4,332	△2,753
Financing cash flow	3,246	2,697	△549
Balance of cash and cash equivalents at the end of current period	8,616	8,532	△84

Decline in cash flow due to investment activity related to M&A of Miyamoto Munashi and new restaurant opening

Sato Bar /Sato Café

◆Sato Bar/Sato Café are the self-serve drink bar service delivering all-you-can-drink items at affordable prices.

◆Goal:

(1) Using alcohol as an incentive to increase sales and attract more customers

(2) Reducing restaurant tasks (such as, serving drinks and alcohol)

(3) Improving standards of service (no waiting time, shortening the time of food delivery, etc.)

(4) Re-branding Washoku Sato and its category of business

Miyamoto Munashi Renovation and New Products

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- Improving product quality through SRS's food ingredient procurement capacity.

- Completed 18 restaurant renovations since May 18, when the company became SRS Group.

CHOJIRO

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※CHOJIRO is an urban brand of Nigiri Chojiro located within a commercial building.

◆Kansai's top gourmet conveyor belt sushi, Nigiri Chojiro/CHOJIRO is very popular among foreign tourists for its high product quality.

◆At the Shijo Kiyamachi branch located in the center of Kyoto's bustling shopping district, the sales amount by foreign tourists accounts for about 90 percent of the total sales of this branch.

◆On March 17, 2017, the Hozenji branch opened in Osaka, Namba, one of Kansai's most famous shopping districts popular with domestic and foreign tourists.

◆A Hozenji site (English) featuring the Hozenji and Meotozenzai branches and the Mizukake Fudoson was launched, and the tourist destination Hozenji Yokocho Alley (the alleys around Hozenji temple) was promoted overseas.

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The business performance forecast in this material is based on information that was available at the time of this presentation. Contained within are many uncertain elements and due to various factors may differ substantially from the earnings outlook presented. Please understand that your decision to invest in our company is based upon your judgment.