

all-you-can-eat style Sukiyaki!

「Sato-Suki」

all-you-
can-eat
120 min.
Last call taken
30 min. earlier

Debut!!



SATO
RESTAURANT
SYSTEMS GROUP

Financial Results Information:
2Q FY03/2017

SATO RESTAURANT SYSTEMS CO., LTD.



Listed on TSE 1st section: 8163



SATO
RESTAURANT
SYSTEMS GROUP

FY03/2017
Overview of Financial Results
for the Second Quarter

Highlights

- 1 **Higher revenues**  **Net sales : 20,291 million yen up 3.0% up 586 million yen** (YOY)
Higher revenues due to increase in number of restaurants in operation (YOY)
- 2 **Lower profit**  **Operating income : 59 million yen down 88.2% down 444 million yen**
Ordinary income : minus 134 million yen (previous year: 428 million yen) down 562 million yen (YOY)

Extraordinary loss of 83 million yen was allocated because, for example, sales in existing restaurants could not achieve its goals as planned and labor cost increased due to arranging working environment, and also because of allocating advisory expenses and others associated with share acquisition of Miyamoto Munashi Corporation and TWO SIX Corporation, occurrence of foreign exchange losses due to stronger yen, loss on evaluation of investment in overseas joint ventures, and closure of two restaurants.

- 3 **Newly opened** **11 restaurants** **【Santen】 DM: 3; FC: 1 【Nigiri Chojiro】 DM: 2** DM: directly-managed
FC: Franchise Chain **【Katsuya】 DM: 3; FC: 2 ※NOTE: In addition, contracts have been**
executed for **opening 19 new restaurants.** (as of Sep. 31, 2016)

Group total (domestic & overseas): 427 restaurants

DM restaurants: total 381

• Washoku Sato	201
• Sushi-han	14
• Santen	25
• Nigiri Chojiro	55
(including CHOJIRO)	
• Miyakobito	1
• Nigiri Chujiro	6
• Miyamoto Munashi	62
• Katsuya	17

Group FC restaurants: total 40

• Santen	1
• Miyakobito	16
• Miyamoto Munashi	7
• Katsuya	16

Overseas: total 6

• Taiwan	2
• Indonesia	2
• Thailand	2

Newly opening / Renovation

FY03/2017 Planned		Newly opened		Contracted		Total		65.2% achieved	
46		11		19		31			
restaurants									
Total		Planned	Actual	Contracted*	Total	Achieved			
		46	11	19	30	65.2%			
Newly opened	Washoku Sato	4	0	2	2	50%			
	Sushi-han	0	0	0	0	-			
	Santen	20	3	13	16	80%			
	Santen FC	5	1	0	1	20%			
	Nigiri Chojiro	6	2	1	3	50%			
	Nigiri Chujiro	0	0	0	0	-			
	Miyamoto	0	0	0	0	-			
	Munashi	0	0	0	0	-			
	Katsuya	5	3	0	3	60%			
Katsuya FC	6	2	3	5	83.3%				
Renova tion			Actual						
	Washoku Sato		3						

* Contracted: Number of contracts executed to open new restaurants as of Sep. 31

Current progress in various measures

	Measures	Actual progress (as of Sep. 30, 2016)
1	Reconstruction of working environment Elimination of unpaid wages for overtime working Approach to reduced working hours	Shorter business hours; allocating more hours to assign part-time employees; building up the structure for mutual support among different premises; prohibition of overtime working without permission; establishing external helpline
2	Experiment on various menu at Washoku Sato	"Sato-Suki" (all-you-can-eat style Sukiyaki) has been offered at every restaurant since August; and "Roast Beef Don" (roast beef on rice bowl), a hit menu has been included in the regular menu since October.
3	FC development of Santen restaurants	Mikawa-Anjo branch, the first FC of Santen opened in August, maintaining strong sales. Preparation work is underway to execute more contracts with new franchisees.
4	Measures for attracting inbound tourists	Various measures are developed for attracting tourists categorizing them into individual tourists and group tourists, depending on locations of restaurants and menu characteristics. Special website for inbound tourists should be developed and membership in some association relating to inbound tourists is envisaged.
5	Turning Washoku Sato restaurants in Taiwan to profitable ones	"Danshui branch" (1st in Taiwan) and "Jung-Li branch" (2nd) have both recorded surpluses.
6	Purchasing by the Group as a whole Pursuit of logistics synergies	Promotion of importing items developed in India, Thailand and others. Reduction in shipping cost. Plans to generate synergies by adding Miyamoto Munashi to the Group.
7	Grouping together financial/accounting departments	Accounting department of FOODSNET Corp. was fully integrated into SRS in June.

Profit & Loss sheet (PL)

Higher revenues, but lower profit

(△ means negative)

Higher
revenues

Increase in net sales (+ 586 million yen) and gross profit (+ 422 million yen)

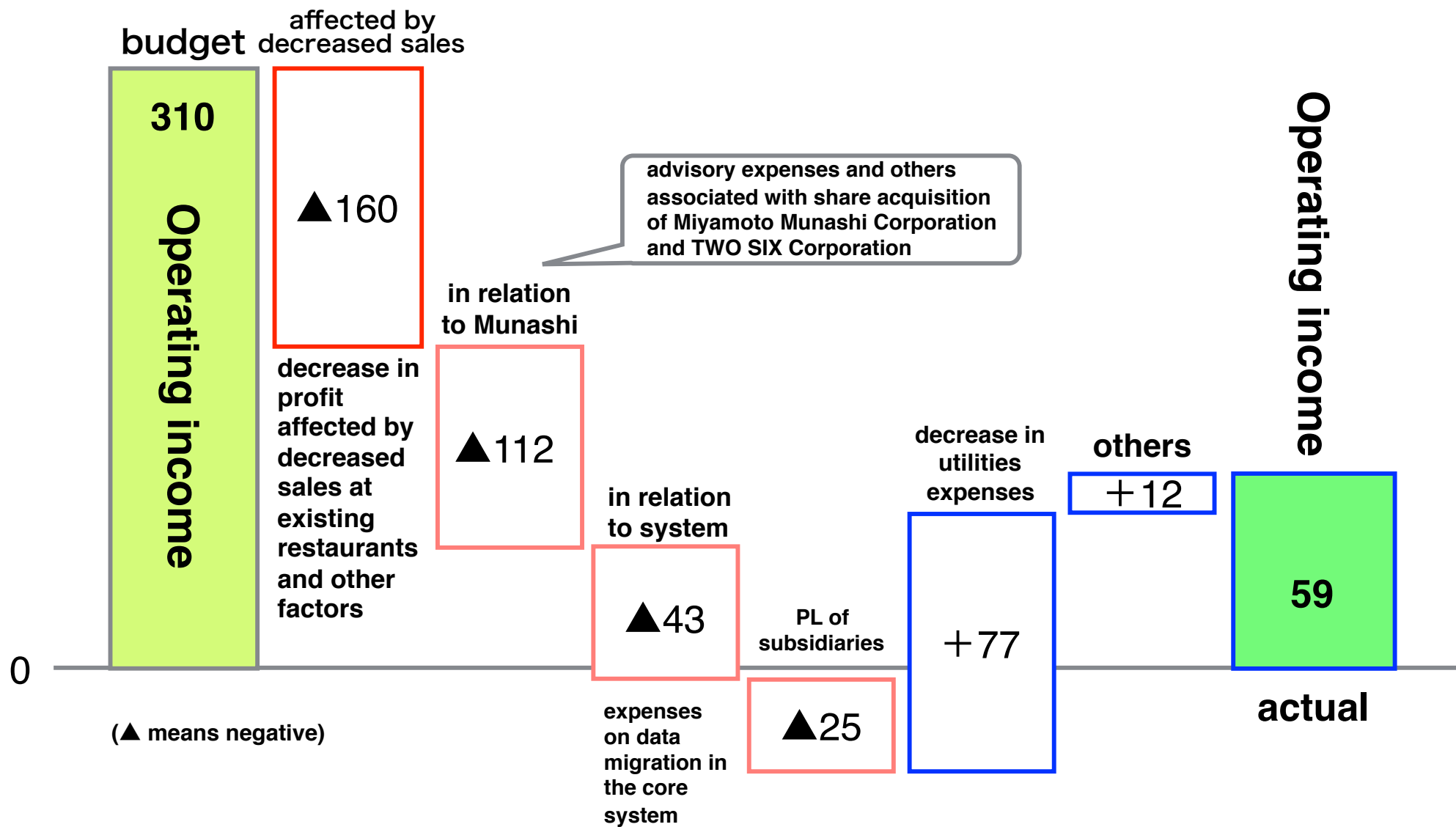
Lower
profit

Lower profit due to significant increase in SG&A expenses by 867 million yen

(million yen)	2Q FY03/2016		2Q FY03/2017			
	Amount	Ratio to sales	Amount	Ratio to sales	+/- (amount)	+/- (%)
Net sales	19,704	100.0%	20,291	100.0%	586	3.0%
Cost of sales	6,744	34.2%	6,908	34.0%	163	2.4%
Gross profit	12,960	65.8%	13,383	66.0%	422	3.3%
SG&A	12,456	63.2%	13,323	65.7%	867	7.0%
Operating income	504	2.6%	59	0.3%	△444	△88.3%
Ordinary income	428	2.2%	△134	-	△562	-
Net income attributable to owners of parent	182	0.9%	△511	-	△693	-

Operating income Difference from budget

(million yen)

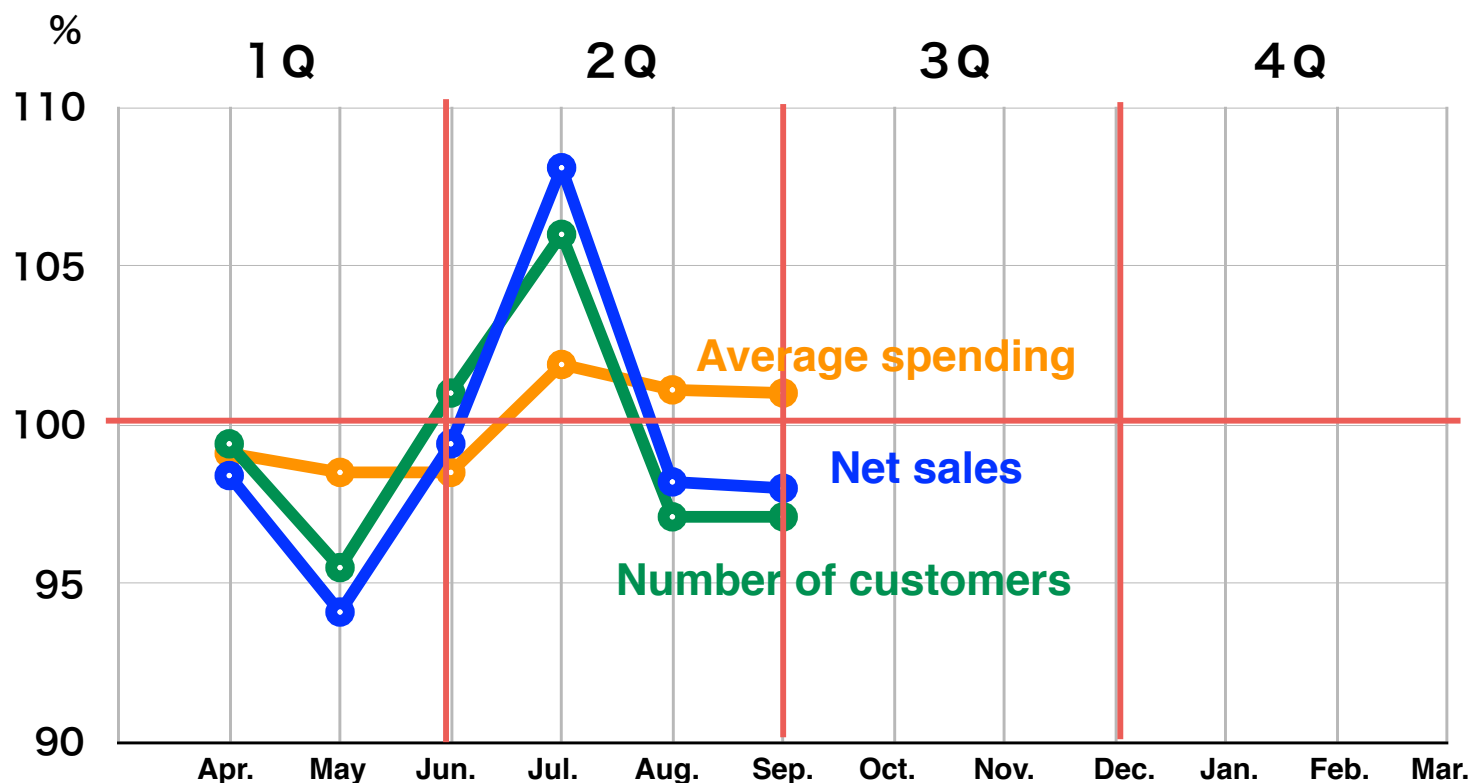


Balance Sheet (BS)

(million yen)	previous consolidated fiscal year (Mar. 31, 2016)	FY03/2017 2Q consolidated cumulative period (Jun. 30, 2016)	+/-
Total current assets	10,765	9,153	△1,612
Total non-current assets	17,053	19,735	2,681
Total assets	27,820	28,930	1,109
Total current liabilities	7,352	6,958	△393
Total non-current liabilities	5,936	8,134	2,197
Total liabilities	13,288	15,092	18,04
Total shareholders' equity	14,915	14,238	△677
Total net assets	14,531	13,837	△694
Total liabilities and net assets	27,820	28,930	1,109

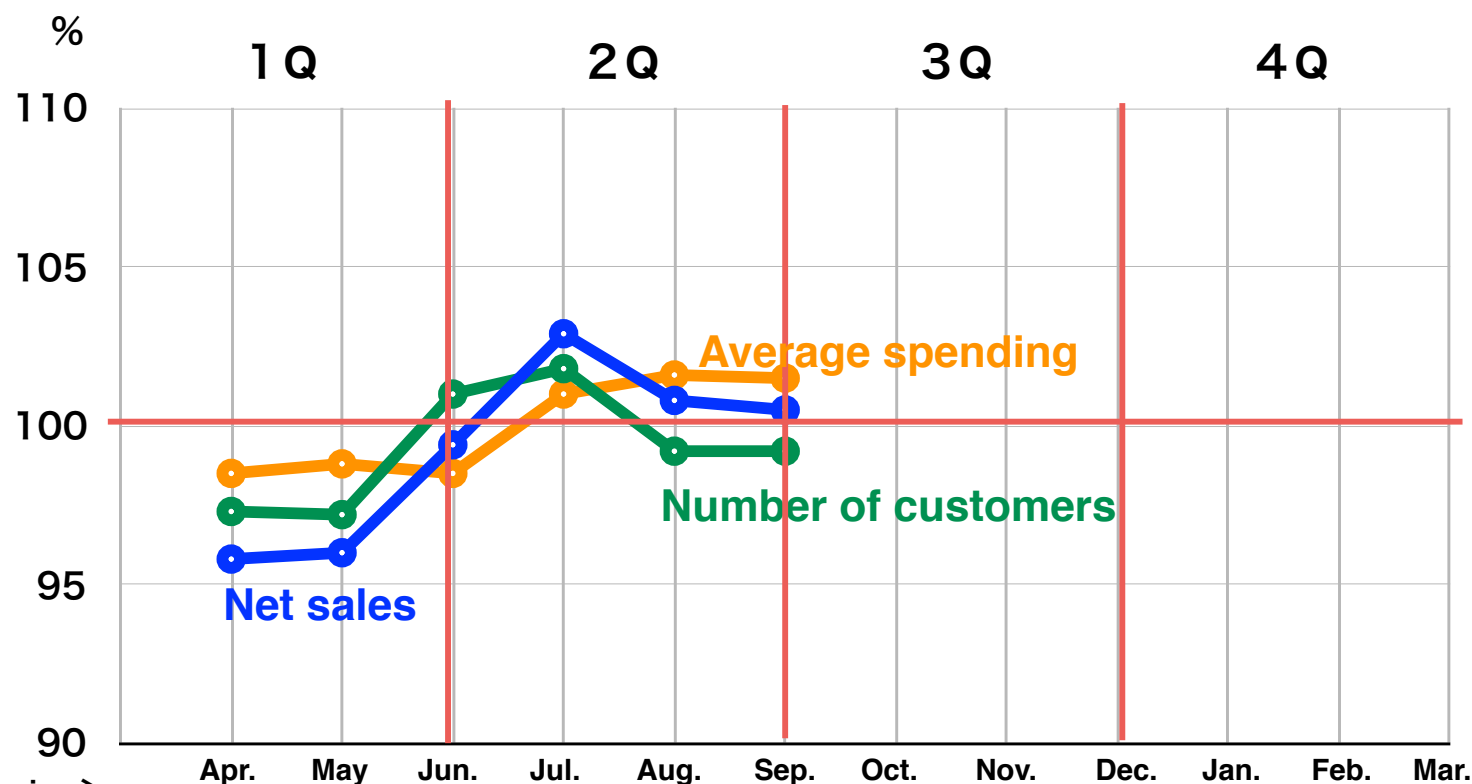
(△ means negative)

Performance transition of existing Washoku Sato restaurants < **BEFORE** adjustment according to public holidays >



Performance transition of existing Washoku Sato restaurants

< **AFTER** adjustment according to public holidays >



<1Q overview>

Number of customers decreased by about 3 points as compared to the previous year in April and May, whereas in June it exceeded that of the previous year mainly due to enhanced promotional activities.

Average spending declined as compared to the previous year, mainly affected by sluggish growth in sales volume of "Sato-Shabu" (all-you-can-eat style Shabu-Shabu).

<2Q overview>

Sales and also average spending exceeded those of the previous year, thanks to enhanced promotional activities and various commercial measures including menu renewal and introducing "Sato-Suki" (all-you-can-eat style Sukiyaki).

Aiming at becoming No.1 company in working environment in the food-service trade

To prevent recurrence of unpaid wages for overtime working and reduce excessive work

The Company has always put its efforts into arrangement/improvement of workplace environment, and struggled with continuous improvement of working environment for employees, including adoption of one week consecutive leave scheme, full five-day workweek, and intensive encouragement of taking 100% vacations. Moreover, various measures have been carried out about 300 part-time employees were promoted to regular employees in October 2014 to expand opportunities especially for female staff to play their active roles further, and in April 2015 staff attendance management system using vein authentication terminals was introduced enabling salaries calculation on minute-by-minute basis.

With respect to overtime working, the Company had previously paid salaries based on employees' declarations, but it arrived at recognition that declarations of overtime working were not made correctly. For this reason, a fact-finding commission was established in cooperation with external attorney and others to investigate the matter and as a result, quite regrettable to say, it found to an extent that some of actual working was not recorded in fact on the staff attendance management system. The Company therefore came with the conclusion that it should immediately pay unpaid wages for overtime working for the preceding two years and decided to pay total amount of 462 million yen. For the future, the Company will, not only settling the past, but also make its best to ensure that measures are taken intensively to prevent recurrence so that unpaid wages for overtime working could be eliminated.

Measures for preventing recurrence

- **Correct entry of working time into the staff attendance management system (guided & ensured)**
- **Establishing "HELPLINE" as an external consultation desk**
- **Shorter business hours (e.g., earlier closing, temporary closing during idle hours)**
- **Allocating more budget to operational hours**
- **Providing guidance and training to supervisory staff**
- **Building up support framework within areas and divisions**
- **Reconsidering elements of restaurant operations (e.g., time of inventory counting)**

Meshiya
Miyamoto Munashi

めしや
宮本むなし



Meshiya Miyamoto Munashi



Famous in Kansai area

Munashi is extraordinarily famous in Kansai area as a "Set meal restaurant with free-refill service for rice".

Development background

Predecessor operating company had succeeded in the field of thematic izakaya (Japanese style pub).



Thematic izakaya slowed down



A set meal restaurant was developed, not susceptible to economic fluctuations and targeted at public in general.

In 2003, its first restaurant opened in Amagasaki City (Hyogo pref.).

**At that time, there was no such set meal restaurant chain featuring free-refill for rice.
So it became very popular as a pioneer.**

Meshiya

Miyamoto Munashi



Background

influence of slowdown
in the main business
of thematic Izakaya

Operational cost
increased because of
having no delivery center.

Little managerial
resources could be
allocated to Miyamoto
Munashi restaurants.

History

expansion

Feb. 2003	1st restaurant opened	
Mar. 2003	expanded to Tokyo area	→ 12 branches at peak in Kanto area
Apr. 2004	expanded to Nagoya area	
Jun. 2005	expanded to Kyushu (Fukuoka) area	

retreat

Apr. 2008	from Kyushu area
Nov. 2008	from Kanto area

expanded to
97 branches
at peak
nationwide

recent situations

No new opening, no renovation
No new item introduced
No active sales promotion
Human resources flowing out

Sep. 1, 2016
Joined SRS Group

Kanto area could
be supported by
SRS Group's
delivery scheme.

Meshiya Miyamoto Munashi

Basic information



お母さんのごはん お母さんのおかずを
お届けしたい

We'd like to serve you **mom's** cooking

Organization	"Miyamoto Munashi Corporation" (SRS's new wholly-owned subsidiary) Representative Director: Tsuyoshi Taguchi Director: Masahiro Tanaka (SRS Administrative HQ Director & Administrative HQ Manager: Toshiaki Okamoto Munashi Business HQ Chief (proper staff in charge of Miyamoto Munashi restaurants)	Concept	With the phrase of "We'd like to serve you mom's cooking", its concept is that customers would have full meals there offering mainly basic items.
Category	→ Public set meal restaurant (downtown set meal restaurants chain target at public in general)	Customers trend	Majority of them are men. At lunch time, male customers account for nearly 80%. They widely range from young students to elderlies. Recently, increasing number of foreign tourists come to have breakfast.
Average spending	680 yen	Others	Quasi-directly managed restaurants are those operated by former regular employees.
Location	Public set meal restaurants; all of them are located at roadside within downtown areas in front of train stations (in-building type).	Strength Issue	Strength: Average number of full-time employees per restaurant is about 0.6. Issue: Important issues to be considered for the future are improvement in values offered towards further growth, and optimal staffing.
Number of restaurants	69 including 62 directly-managed, 5 quasi-directly managed, and 2 FC restaurants	Most recent net sales	3,360 million yen
Operation areas	3 areas of Kansan, Chubu and Okayama Osaka: 31, Shiga: 2, Kyoto: 3, Nara: 1, Hyogo: 16, Okayama: 3, Nagoya: 12, Gifu: 1		
Employees	47 (10 at HQ and 37 at reataurants)		

Meshiya **Miyamoto Munashi**



Attractiveness

**Highly price conscious Osaka people recognize
Munashi's value**

**Extremely bountiful!!
Free refill for rice!!**

Particularity

**How should we have customers eat rice as much as possible
while enjoying its taste?**

Not mention it's delicious, Miyamoto Munashi puts its emphasis on getting customers satisfied with freshly-cooked white rice. We consider how should we have customers eat rice as much as possible while enjoying its taste. Dishes of our set meals are bountiful and tasty such that customers would want to refill rice once or twice!

Meshiya **Miyamoto Munashi**



Favored by local people!

<examples>

There are restaurants, such as Kintetsu Kawachi-Amamiekimae branch, having been loved by local people for more than ten years, despite there are less than twenty thousands of train users at the station daily.

Most of the customers are neighbors including women and families.

The restaurants have taken roots in their local areas as places to visit even every day at ease.

Operational even in small trade areas

It is amazing that the restaurant chain has maintained its operation for a long time even in station areas with less than thirty thousands of users.

**Without being involved in excessive competition,
they have continued their business while being soundly
recognized by local people.**

Meshiya Miyamoto Munashi

Entrance



Meshiya Miyamoto Munashi

Inside

Female customers are increasing!



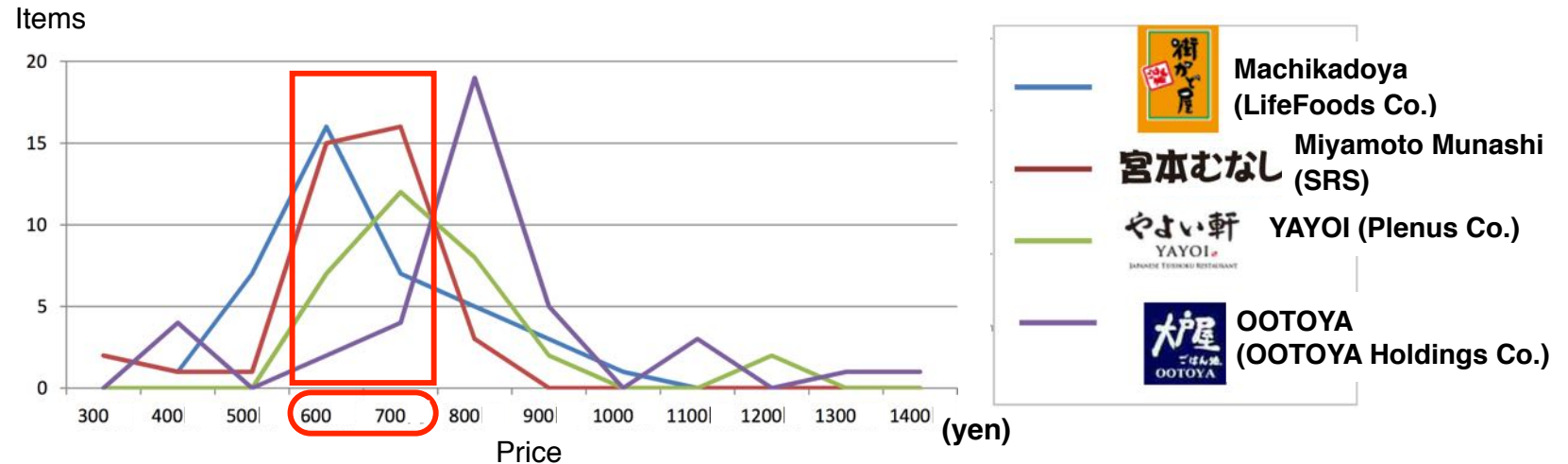
Free refill for rice!



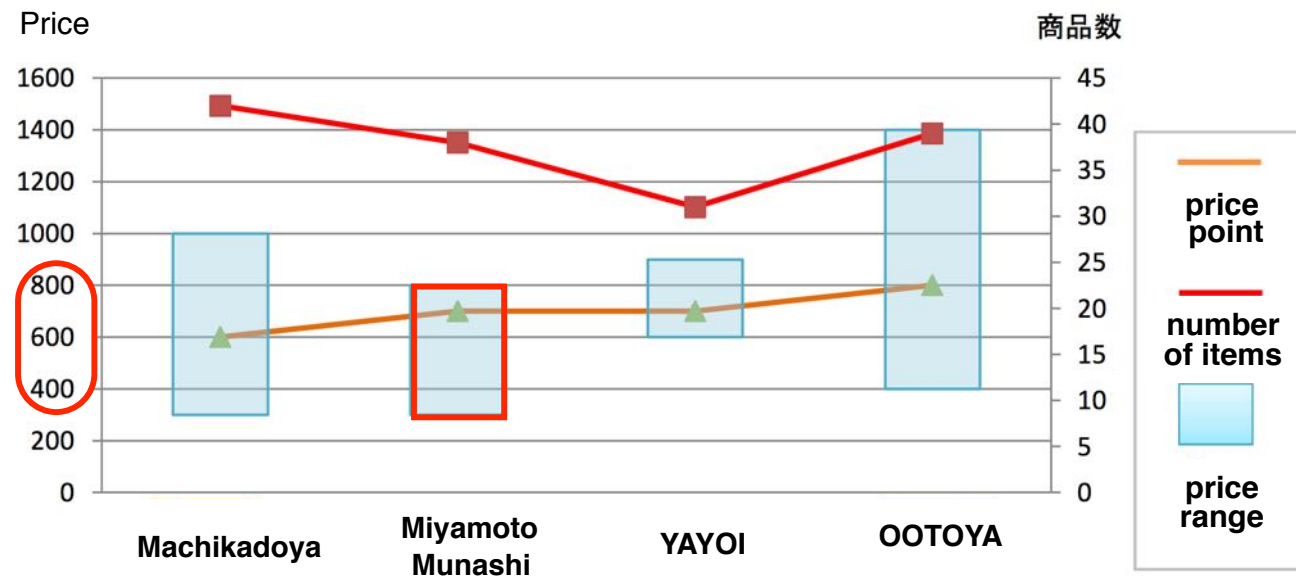
Meshiya Miyamoto Munashi

Items composition

Munashi's menu
comprises mainly
of those priced at
600 - 700 yen.



Price ranges are
generally from
350 - 800 yen.



Meshiya Miyamoto Munashi

Merits for SRS Group to acquire Munashi business

new category of
SRS restaurants

**Downtown set meal restaurant chain
target at public in general
and its operational know-how**

"More profitability with less sales"

**"Mechanism to generate certain amount of profit
from moderate level of sales"**

High profitability

**High profitability: operating income ratio of more than 10%
Continuing stable financial health**

average data per restaurant

**Square footage: about 66 m2
Monthly sales: 4.5 - 5 million yen
Average spending: 680 - 700 yen
About 7,000 customers per month**

**Even at peak hours,
3 or 4 employees are
sufficient to operate.**

Restaurant operation system at Munashi

- 1. Holding down labor cost**
Full-time employees as managers administer multiple restaurants (they focus on administrative jobs such as staff's work scheduling, assignment, recruitment, attendance, monetary affairs).
- 2. Simplifying on-premise procedures such as cooking and serving**
Operation system has been established, that can be operated solely by part-time employees. Eventual cooking procedures are done in the restaurants, but by enhancing the extent of pre-processing of materials to be handled at supplier-level and by reducing the number of menu items to 56 or so, enabling the staff to become proficient much more earlier.
- 3. Installing in-store food ticket vending machines realized laborsaving, so that the staff would not be bothered by monetary supervision.**

**Labor cost and foodstuff cost are reduced, and a business model is
established for stable management even in small trade areas by
simplified restaurant operations.**

Meshiya Miyamoto Munashi

Merits for SRS Group to acquire Munashi business (other merits)

Contribution to the mid-term management plan	Much contribution could be anticipated for having further more restaurants at low-price level , in order to achieve the goal of being an essential social infrastructure and prospering over 100 years to come, as described in the mid-term management plan. (69 Munashi restaurants joined SRS.)
Presence in Kansai area	69 Munashi restaurants have newly joined SRS Group that has overwhelming number of restaurants in Kansai area, where presence of the Group will be further strengthened.
Japanese restaurant category that does not compete with pre-existing SRS restaurants	They fall into the Japanese food category in which our conventional know-how would be utilized, while at the same time since they belong to low-price zone and are located in areas in front of train stations , there should be no competition with other pre-existing categories.
Synergies (purchasing & logistic)	Synergies in purchasing and other aspects could be anticipated since they fall into the same Japanese food category as others. In addition, most of them are located within areas of SRS Group's delivery network and therefore logistic synergies could be anticipated in the future.
Future prospects	Business expansion would be anticipated for the future in the context of increase in single-person households, increase in low-income population, decrease in car ownership and other factors.
Low risk in foodstuff procurement	Since they do not rely on any particular foodstuff, risk in foodstuff procurement is lower.

Meshiya Miyamoto Munashi should be our new engine of growth!

< Mid-term management plan > **The Group now operates 427 restaurants,**
600 restaurants **a substantial increase from 356.**
FY03/2019

Meshiya

Miyamoto Munashi

Menu

Wide variety ranging from plentiful dishes to healthy dishes

**Set meals priced at 590 - 790 yen zone are at the center.
Single items such as rice bowls, noodles and
curry & rice are also available.**

Low-price single items are popular!

**Tamago-Don (egg on rice bowl) : 390 yen
Kitsune Udon (noodle): 350 yen
Beef curry & rice: 450 yen**

Set meals are of course very popular!

**Set meal of huge pork cutlet: 650 yen
Set meal of grilled mackerel with Japanese omelette:
650 yen**

Various dishes are offered such as hamburg steak, pickled chicken, and sauteed vegetables, which should make you take another refill of freshly-cooked white rice.

Meshiya Miyamoto Munashi

Set meals

Top selling! Extremely bountiful!
Set meal of huge pork cutlet: 650 yen (incl. tax)



Set meal of grilled mackerel with Japanese
omelette: 650 yen (incl. tax)



Set meal of hamburger steak: 730 yen (incl. tax)



Set meal of pork cutlet covered with egg: 750 yen (incl. tax)

Meshiya

Miyamoto Munashi



Set meal of grilled chicken with tomato sauce: 790 yen (incl. tax)



Deluxe set meal of grilled chicken: 890 yen (incl. tax)



Healthy set meal of sauteed vegetables: 650 yen (incl. tax)



Set meal of grilled chicken with green onion: 730 yen (incl. tax)

Meshiya

Miyamoto Munashi



Set meal of sauteed chicken with Korean sauce: 730 yen (incl. tax)

Meshiya **Miyamoto Munashi**

Rice bowls

**Ultimate taste
finished with
specially-made
soup**



Tamago-Don (egg on rice bowl)



Tamago-Don: 390 yen (incl. tax)



**Negitoro-Don (minced tuna &
green onion): 650 yen (incl. tax)**



**Katsu-Don (pork cutlet with
egg): 650yen (incl. tax)**

Meshiya

Miyamoto Munashi

Limited time offering

1st
from Nov. 1, 2016

2nd
from Jan. 16, 2017

あつたか 第1弾

コンロで最後まで
アツアツ

甘辛だしがたっぷりの
牛肉とベストマッチ

牛肉増量!

牛すき鍋定食(うどん付)

825円 (税込 890円)

Set meal of beef Sukiyaki hot pot
日式牛肉鸡素烧锅套餐

特製ラーメン入り

鶏ガラと塩の旨みに
香ばしい豚の香り

鶏塩ちゃんこ鍋定食 (ラーメン付) 732円 (税込 790円)

Set meal of chicken Chanko hot pot in a salt-based soup
日式鸡肉盐地大相扑锅套餐

かきフライ定食 695円 (税込 750円)

Set meal of deep-fried oysters
油炸牡蛎套餐

ジュシーなカキフライを
特製のタルタルソースで
お召し上がりください

大粒ジュシー!

あつたか 第2弾

コンロで最後まで
アツアツ

ピリ辛スープに
鶏の旨みがたっぷり

ピリ辛チゲ鍋定食 (ラーメン付) 732円 (税込 790円)

Set meal of spicy Korean stew
韩国辣味大酱汤套餐

程よいコンソメと旨味の
味噌出汁が絡み合った
絶妙な味噌煮込みうどん

**味噌煮込みうどんと
選べる唐揚げ定食 732円** (税込 790円)

Set meal of Udon noodles simmered in miso soup with
your choice of deep-fried dish
日式味噌煮込み乌冬面及自选油炸菜套餐

牛肉増量!

甘辛だしがたっぷりの
牛肉とベストマッチ

牛すき鍋定食(うどん付) 825円 (税込 890円)

Set meal of beef Sukiyaki hot pot
日式牛肉鸡素烧锅套餐

かきフライ定食 695円 (税込 750円)

Set meal of deep-fried oysters
油炸牡蛎套餐

ジュシーなカキフライを
特製のタルタルソースで
お召し上がりください

大粒ジュシー!



SATO
RESTAURANT
SYSTEMS GROUP

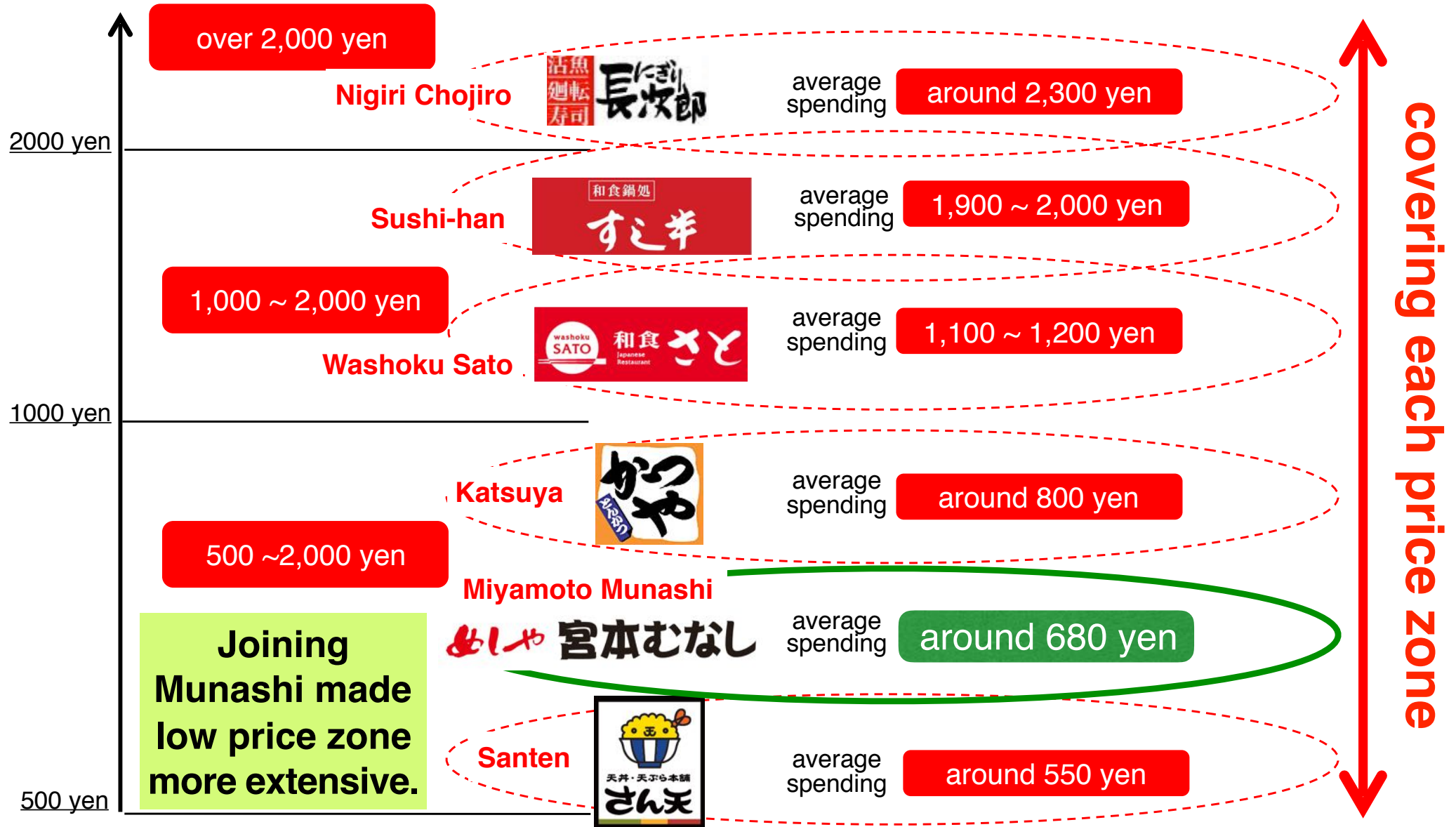
Mid-term management plan

Towards realization of "Sato Pyramid"



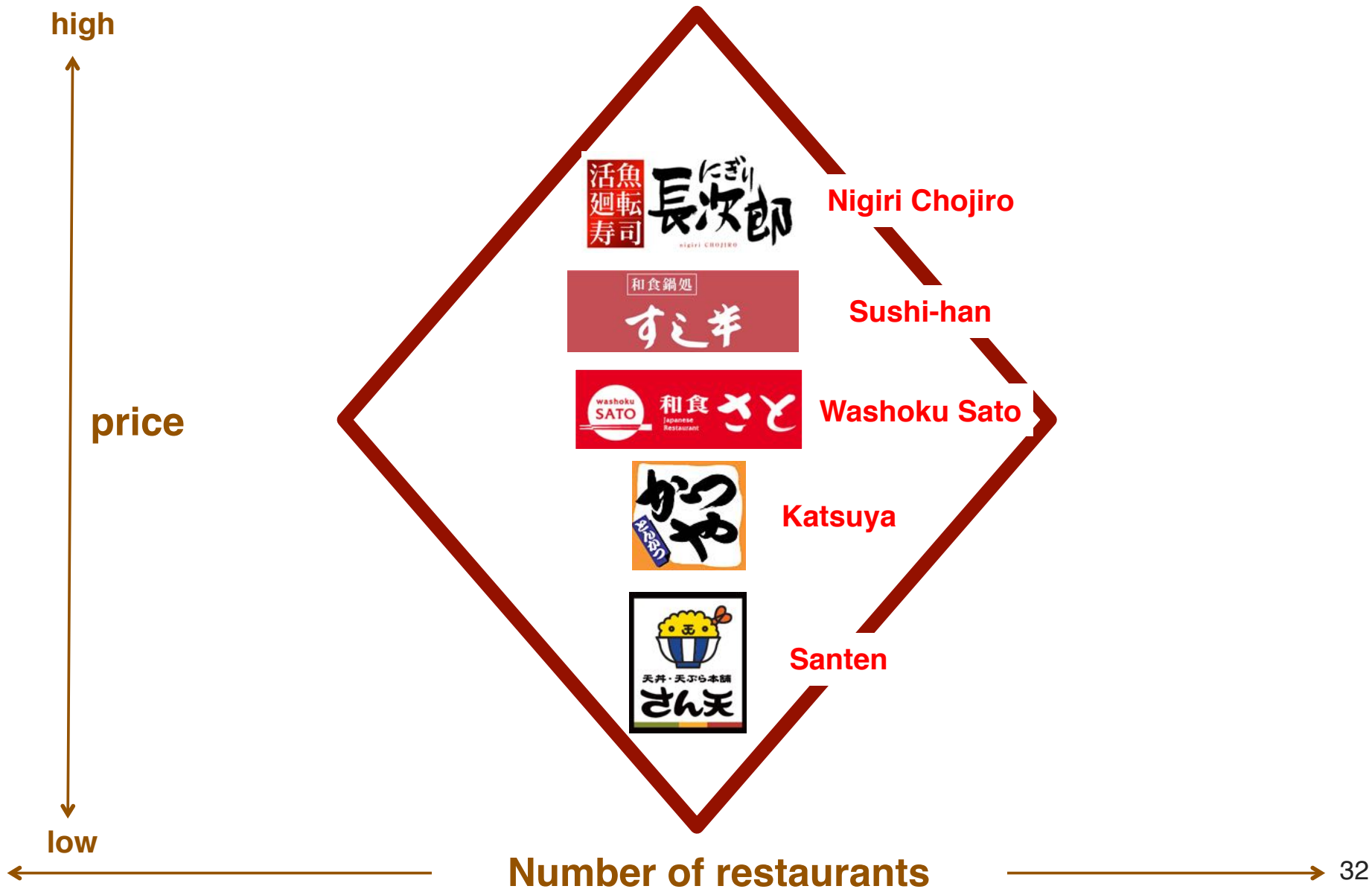
Price zone hedging capabilities

Specializing in Japanese food; Risk hedge at low to middle price zone



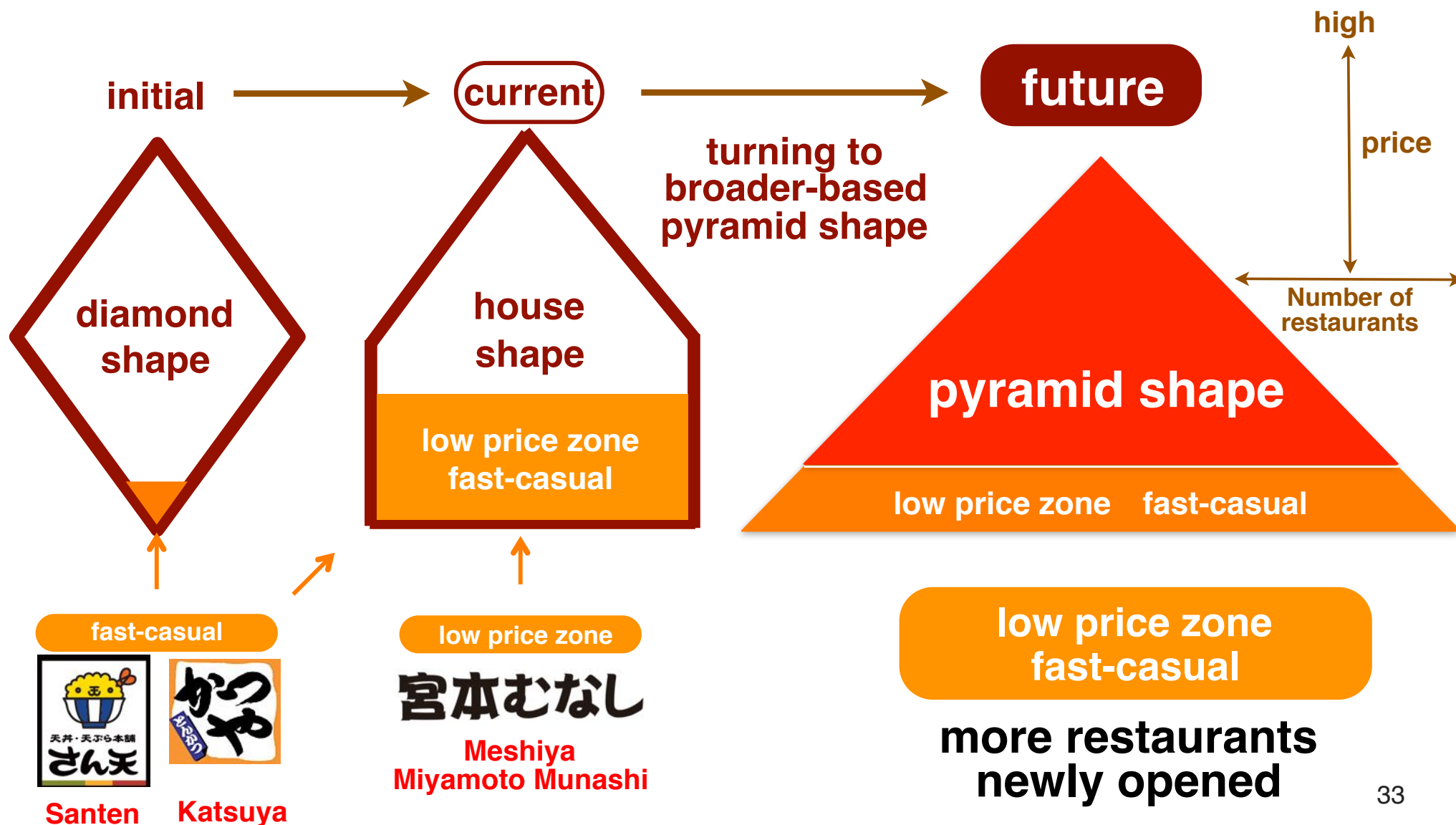
SRS group restaurants composition (initial)

diamond shape

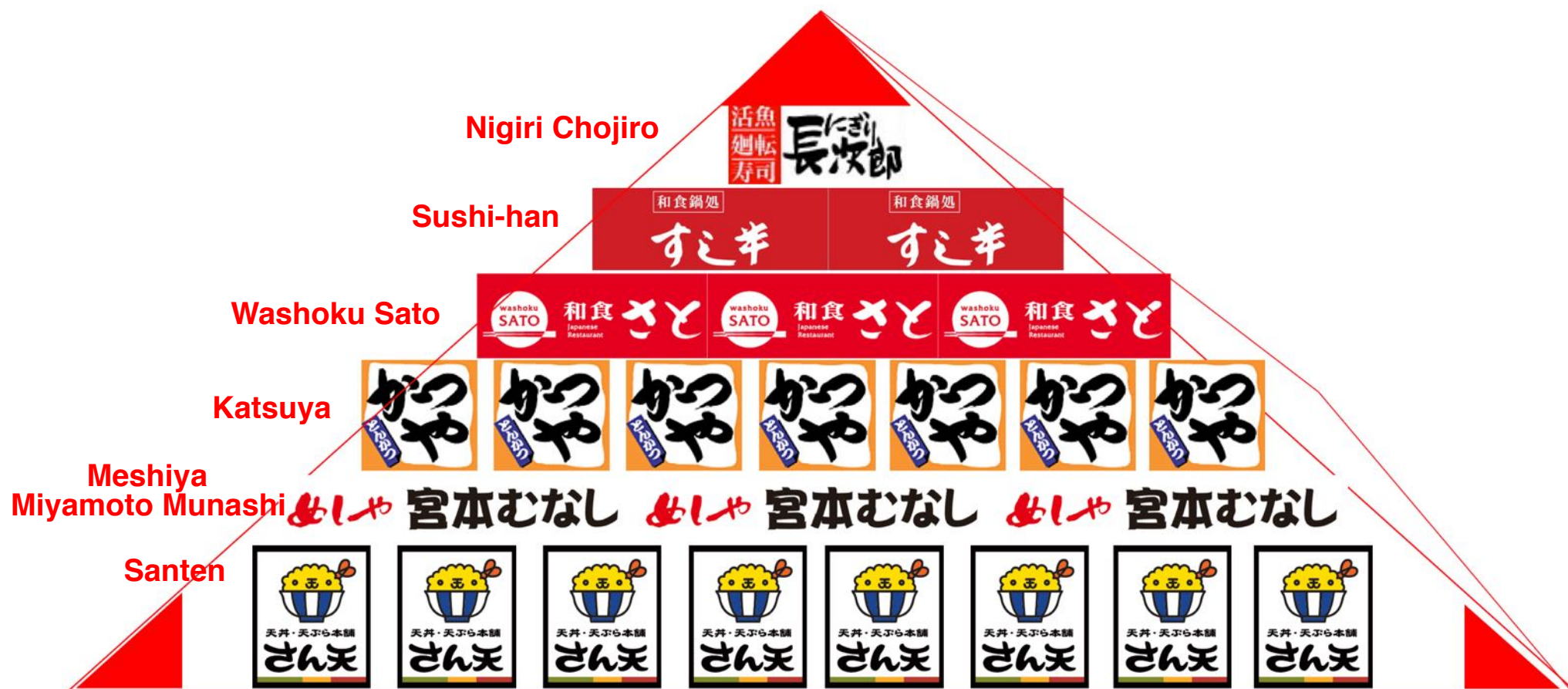


SRS group restaurants composition

Diamond shape ~ house shape ~ pyramid shape



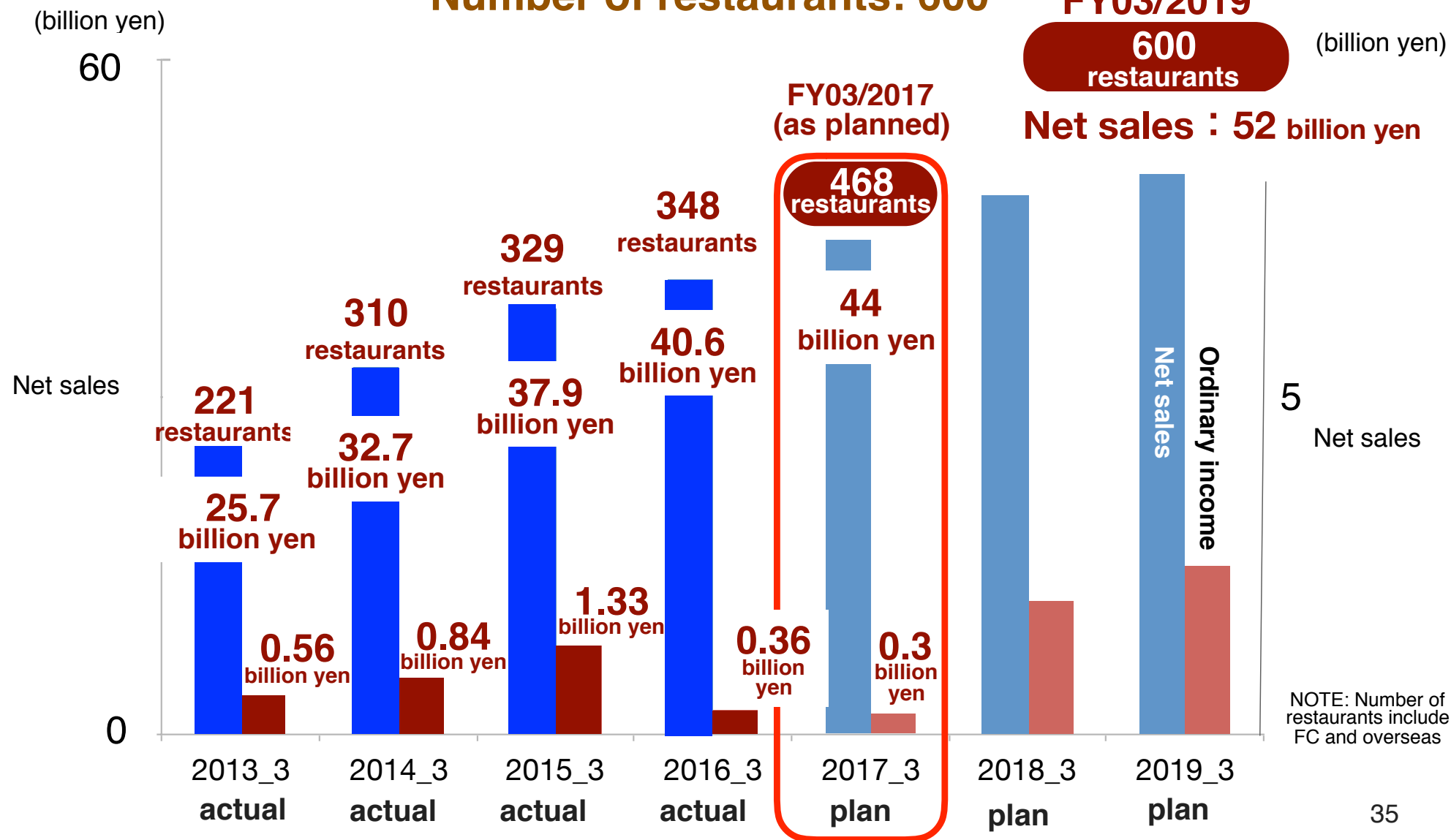
Towards realization of "Sato Pyramid"



Mid-term management plan

FY03/2019 Net sales: 52 billion yen
Number of restaurants: 600

FY03/2019
600
restaurants (billion yen)
Net sales : 52 billion yen



Mid-term management plan: Numerical targets

FY03/2019
51st Period

Net sales	52 billion yen
Number of restaurants	600
Equity ratio	5%
ROE	8%
Capital adequacy ratio	over 50%

Performance forecasts

Increase in both revenues and operating income is anticipated for FY03/2017

(million yen)	FY03/2016 (actual)	FY03/2017 (forecast)		
		Amount	+/- (amount)	+/- (%)
Net sales	40,061	44,000	3,939	9.8%
Operating income	542	550	8	1.5%
Ordinary income	361	300	△61	-
Net income attributable to owners of parent	6	△300	△306	-

Topics

Newly opened <domestic>

- Apr. Katsuya: Kireuriwari branch (Osaka pref.)
Katsuya: Higashi-Osaka Nishitsutsumi branch (Osaka pref.)
- May Santen: Narumi branch (Aichi pref.)
First branch in Chubu area
Katsuya: Kawachinagano branch (Osaka pref.)
- Jun. Katsuya: Kyoto-Daigo branch (Kyoto pref.)
Nigiri Chojiro: Moriyama branch (Shiga pref.)
- Jul. Santen: Bakuro-machi branch (Osaka pref.)
Santen: Nara-Kashiba branch (Nara pref.)
- Aug. Santen: Mikawa-Anjo branch (Aichi pref.)
First Santen FC
- Sep. Katsuya: Habikino-Nishiura branch (Osaka pref.)
Nigiri Chojiro: Kameoka branch (Kyoto pref.)
- Oct. Santen: Kawaguchi-Michiai branch (Saitama pref.)
Santen: AEON Mall Yono branch (Saitama pref.)
First opening in a food-court
Katsuya: Sakai-Chuokanjo branch (Osaka pref.)
Santen: Sakai-Toyoda branch (Osaka pref.)
Nigiri Chojiro: Nara-Ichibu branch (Nara pref.)
- Nov. Santen: Omiya-Owada branch (Saitama pref.)

Newly opened <overseas>

- Jun. Washoku Sato: Jung-Li branch (Taiwan)



Closed (domestic/overseas)

- May Miyakobito: Omihachiman branch (Shiga pref.)
- Jul. Washoku Sato: AMATA Home Pro branch (Thailand)
- Oct. Sushi-han: Houzenji main restaurant (Osaka pref.)
Miyakobito: Ichijo branch (Kyoto pref.)

Topics

- Sep. Miyamoto Munashi Corp. became a wholly-owned subsidiary.



SATO
RESTAURANT
SYSTEMS GROUP

Contact

SATO RESTAURANT SYSTEMS CO., LTD.

Corporate Planning Division (Natsui, Furube)

TEL: +81-6-7709-9977

email: 873@sato-rs.jp

Earnings forecasts and other descriptions concerning the future contained in this document are based on information currently available to the Company. This includes largely uncertain elements and therefore actual business performance and other elements may differ substantially due to various factors. We would appreciate that you should understand the above mentioned presumptions and make decisions on any investment according to your own judgement.