



 **さとバール**  
SatoBar

 和食 

**998** 【お一人様】  
**円 (+税)**

平日(月~金)の終日と土曜日の開店~15時まで

**1,198** 【お一人様】  
**円 (+税)**

土曜日の15時以降と日曜・祝日・特定日  
※料理・デザートをご注文時の価格

お酒は二十歳になってから  
飲み過ぎに注意

Steadily increasing the number of  
restaurants with a Sato Bar/Sato Café!

**SRS HOLDINGS CO.,LTD.** Financial Results Explanatory Material for the  
First Half of the Fiscal Year Ending March 2018 (FY3/18)

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**1H FY3/18**  
**Overview of Financial Results and**  
**Revisions to Earnings Forecasts**

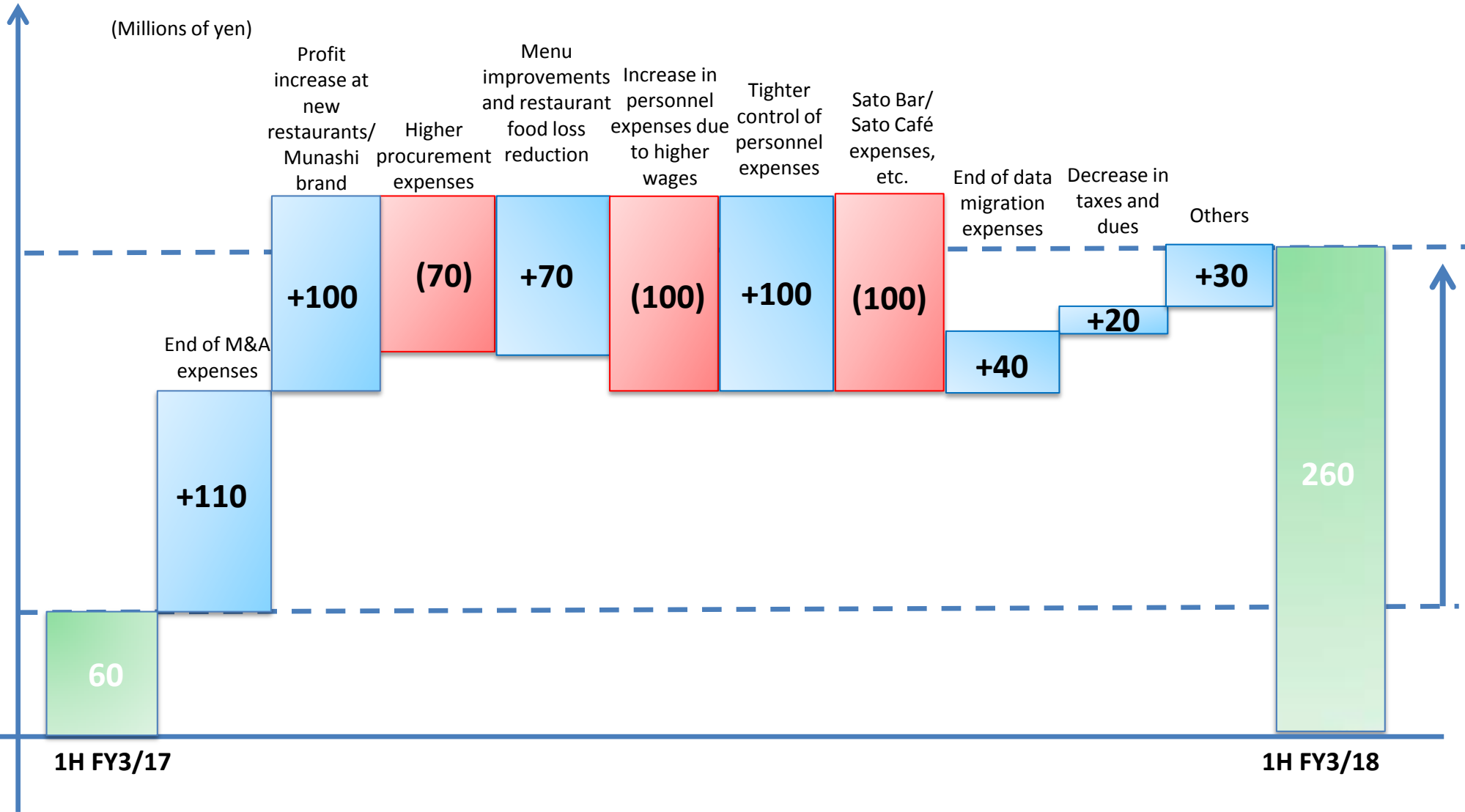


## Sales and earnings were below the plan

- Sales of existing restaurants in core businesses were sluggish mainly because of unfavorable weather. Sales were also held down by an increase in closings for renovations to add the “Sato Bar/Sato Café” to Washoku Sato restaurants earlier than planned.
- The gross margin was as planned mainly because of a reduction in food and other supplies that are unused and discarded. But the operating profit was less than planned due to the significant negative impact of the below-plan sales.

(Millions of yen)	1H FY3/18				(Ref.) 1H FY3/17
	Plan	Results	Vs. plan (ratio)	Vs. plan (amount)	Results
Net sales	22,000	21,695	98.6%	(305)	20,291
Operating profit	450	260	57.7%	(190)	59
Ordinary profit	400	256	64.0%	(144)	(134)
Profit attributable to owners of parent	280	215	76.7%	(65)	(511)

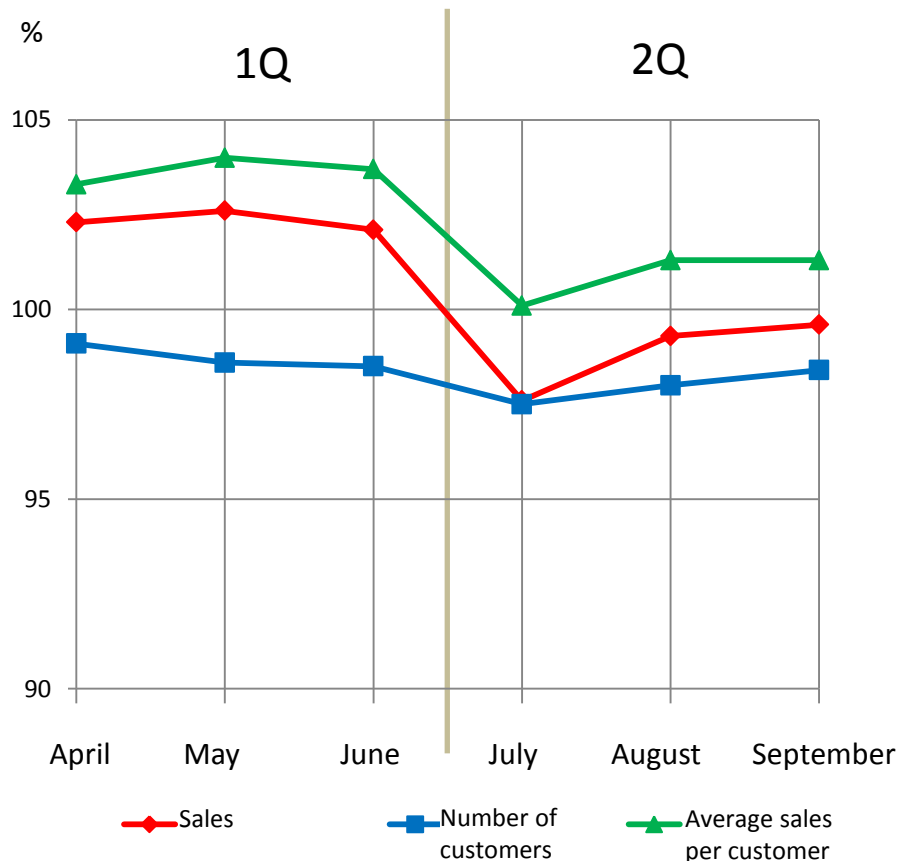
# 1H FY3/18 Changes in Operating Profit



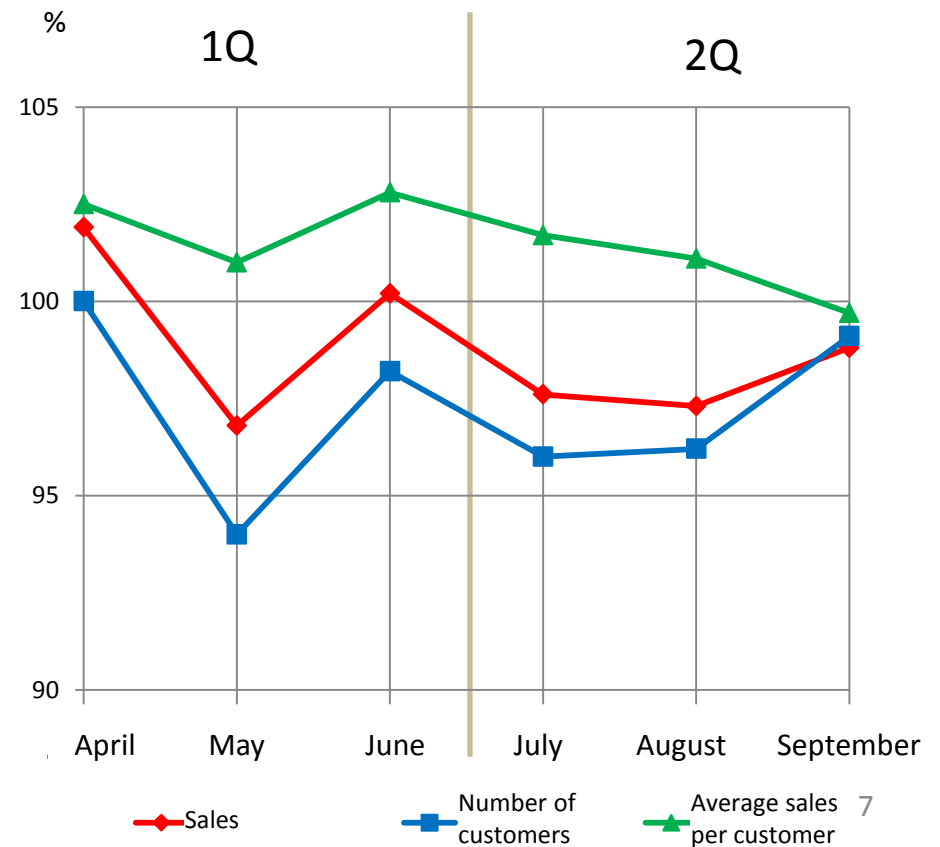
# 1H FY3/18 Existing Restaurant Sales

- At Washoku Sato, an increase in sales of seasonal menu items in August and all-you-can-eat items in September kept sales per customer above the prior-year level.
- At Nigiri Chojiro, customer traffic recovered in part due to extensive customer service training programs. Sales per customer were higher than one year earlier due mostly to the popularity of limited-time-only items.
- Typhoons in August and September caused sales to decline.

Washoku Sato: YoY change at existing restaurants  
adjusted for characteristics of day of week



Nigiri Chojiro: YoY change at existing restaurants  
adjusted for characteristics of day of week



# 1H FY3/18 SRS Group Restaurants

	Restaurants at the end of FY3/17 (Mar. 31, 2017)		Restaurants opened/closed during 1H FY3/18		Restaurants at the end of 1H FY3/18 (Sep. 30, 2017)		Restaurants planned to open during FY3/18 (B)		Contracts for new restaurants signed during 1H FY3/18 (C)		Restaurant opening progress vs. plan ((A) + (C)) / (B)
			Opened (A)	Closed							
Washoku Sato	202		1	1	202		2		0		50%
Santen	40	(1)	-	-	40	(1)	13	(5)	7	(1)	54%
Nigiri Chojiro/CHOJIRO	57		1	-	58		3		0		33%
Miyamoto Munashi	69	(7)	-	3	66	(6)	1		1		100%
Katsuya	36	(19)	2 *	3	35	(16)	5	(3)	1	(1)	20%
Meotozenzai	1		-	-	1		-		-		-
Home Delivery Sushi (Nigiri Chujiro/Miyakobito)	21	(14)	-	-	21	(14)	-		-		-
Sushi-han	13		-	13	-	-	-		-		-
Overseas restaurants	6	(4)	-	-	6	(4)	1		1		100%
<b>Group total</b>	<b>445</b>	<b>(45)</b>	<b>4</b>	<b>20</b>	<b>429</b>	<b>(41)</b>	<b>25</b>	<b>(8)</b>	<b>9</b>	<b>(2)</b>	<b>44%</b>

Note: Numbers in parentheses represent franchised restaurants (domestic) and joint venture restaurants (overseas).

\* Two newly opened Katsuya restaurants are not included in the calculation of restaurant opening progress ratio because they were converted from franchised to directly managed.

Stores opened: Washoku Sato: 1 (Tokoname Branch), Nigiri Chojiro: 1 (Itami Branch), Contracts signed for 9 new restaurants (44% of the FY3/18 plan)

Stores closed: Washoku Sato: 1 (Soka Hanaguri Branch); Miyamoto Munashi: 3 (Fujiidera Ekimae Branch, Nankai Sakai Higashi Ekimae Branch, Hankyu Ikeda Ekimae Branch); Katsuya: 1 (Sakai Chuo Kanjo Branch); Sushi-han: 13 (Business sold at April 1, 2017)



# Revisions to FY3/18 Earnings Forecasts

(Millions of yen)

	FY3/17 Results	FY3/18 Initial forecast	Vs. FY3/17 Results	FY3/18 Revised forecast	Vs. initial forecast	Vs. FY3/17 Results
<b>Net sales</b>	43,354	<b>45,000</b>	+1,646	<b>44,000</b>	(1,000)	+646
<b>Operating profit</b>	405	<b>1,100</b>	+695	<b>750</b>	(350)	+345
<b>Ordinary profit</b>	416	<b>1,100</b>	+684	<b>700</b>	(400)	+284
<b>Profit attributable to owners of parent</b>	(234)	<b>450</b>	+684	<b>270</b>	(180)	+504

## Reasons for FY3/18 forecast revisions:

- Lower sales forecast because of a conservative estimate of existing restaurant sales based on first half performance
- Lower operating profit forecast due to the outlook for higher prices of key ingredients like sea food, rice and alcoholic beverages although progress with cost cutting is continuing, such as purchasing new kitchen equipment to reduce food loss



# **Progress Report on Restaurant Initiatives**

# FY3/18 Progress Report on Restaurant Initiatives

	Main Categories	Initiatives and Progress
1	Washoku Sato	<ul style="list-style-type: none"> <li>◆ Added Sato Bar/Sato Café at all locations               <ul style="list-style-type: none"> <li>(1) New self-service beverage and alcoholic beverage bar offering all-you-can-drink service at a reasonable price, creating new reason for people to visit a Washoku Sato restaurant</li> <li>(2) Using a new, more refined design for a new Washoku Sato branding strategy</li> </ul> </li> <li>→176 restaurants with a Sato Bar/Sato Café as of the end of 1H FY3/18</li> <li>◆ Installed dispensers for udon noodle broth and soup stock               <ul style="list-style-type: none"> <li>→Dispensers improve and stabilize quality, boost employee productivity and raise the gross margin.</li> </ul> </li> </ul>
2	Santen	<ul style="list-style-type: none"> <li>◆ Named a manager to oversee the full-scale start of franchising operations               <ul style="list-style-type: none"> <li>→There are currently two franchise partners (Aichi, Tokushima).</li> <li>→The second franchised Santen is scheduled to open in January 2018 in Tokushima city.</li> <li>→The Kansai, Kanto, Tokai, Sanyo and Shikoku areas are the primary regions for franchised restaurants.</li> </ul> </li> <li>◆ Increase marketing activities (continue ¥390 price for Prawn Tendon; start creating new types of menu items)               <ul style="list-style-type: none"> <li>→Testing curry dishes, more children’s menu items and other new ideas</li> <li>→Targeting families and young people</li> </ul> </li> <li>◆ Further strengthen profitability to build a base for operating a large number of Santen restaurants               <ul style="list-style-type: none"> <li>→Improvements in the gross margin and personnel expenses ratio</li> </ul> </li> <li>◆ Started the Santen Step-up Project (see page 15)</li> </ul>

# FY3/18 Progress Report on Restaurant Initiatives

	Main Categories	Initiatives and Progress
3	Nigiri Chojiro/CHOJIRO	<ul style="list-style-type: none"> <li>◆ Most new restaurants are in the Kansai area (retain position as the leading brand in Kansai for gourmet conveyor belt sushi)</li> <li>→ Opened one restaurant on August 5 (Itami Branch, Hyogo prefecture)</li> <li>◆ Opened CHOJIRO Hozenji restaurant as the flagship location for foreign tourists</li> <li>→ Updated the global website (added Chinese and Korean language), continuing measures for overseas media exposure</li> <li>→ Registered with Dantame travel agent-restaurant matching service; started selling Hozenji-don (distributing video, too)</li> </ul>
4	Miyamoto Munashi	<ul style="list-style-type: none"> <li>◆ Remodeling restaurants to create a new look (bright, clean interiors to serve a larger range of customer segments)</li> <li>→ 29 restaurants remodeled as of the end of 1H FY3/18; sales up 5% to 7% at remodeled locations</li> <li>◆ Adding new products with substantial added value (raises sales per customers and the gross margin)</li> <li>→ Added 17 menu items during the first half (hamburger cutlet, cheese chicken salsa and others)</li> <li>◆ Plan to open a directly operated restaurant for the first time in eight years in the third quarter</li> <li>→ The new location will use new concepts, such as many types of new equipment, an open kitchen, and amenities for foreign tourists.</li> </ul>
5	Katsuya	<ul style="list-style-type: none"> <li>◆ Continuing to open directly operated and franchised restaurants in the Kansai area</li> <li>→ Contract for one restaurant has been signed.</li> <li>◆ Increasing the profitability of existing restaurants</li> <li>→ Making menu items more appealing and serving food faster after an order is received</li> </ul>

# FY3/18 Progress Report on Other Initiatives

	Main Categories	Initiatives and Progress
6	Optimized main office operations	<ul style="list-style-type: none"> <li>◆ Sale of the Sushi-han business made operations more efficient, primarily the merchandising department</li> <li>→ Improvements to begin in the second half</li> </ul>
7	Strengthened governance	<ul style="list-style-type: none"> <li>◆ Established the Corporate Governance Department on April 1, 2017</li> <li>◆ Switched from a company with a board of corporate auditors to a company with an audit and supervisory committee on June 29, 2017</li> </ul>
8	Organization restructuring	<ul style="list-style-type: none"> <li>◆ Changed to a holding company structure on October 1, 2017 (Faster decision-making by separating the management strategy and business operation functions)</li> <li>◆ Established the Future Operations Creation Department on October 1, 2017</li> <li>(1) Ideas for ending labor-intensive business activities</li> <li>(2) Goal is restaurant operations that do not rely on people</li> <li>→ Achieve both higher productivity and effective labor management</li> </ul>
9	Overseas business	<ul style="list-style-type: none"> <li>◆ The third restaurant in Taiwan is scheduled to open in March 2018</li> <li>→ The new restaurant will feature a new concept with many items used for the first time at an SRS Group overseas restaurant: a drink and dessert bar, touch screens, an improved waiting system and other amenities.</li> <li>◆ The third restaurant in Thailand is scheduled to open in 2018</li> </ul>

# Sato Bar/Sato Café

All Washoku Sato restaurants, with a few exceptions, will have a Sato Bar/Sato Café by the end of November 2017

→176 Washoku Sato restaurants had a Sato Bar/Sato Café as of the end of 1H FY3/18

- (1) Using alcoholic beverages as an incentive to increase sales and attract more customers
- (2) Using self-service format to reduce volume of work (no need to serve drinks, etc.)
- (3) Improving standards of service (no waiting time, shortening the time of food delivery, etc.)
- (4) Using a new, more refined design for a new Washoku Sato branding strategy



Web marketing using SNS communication style to show the appeal of Sato Bar/Sato Café

**さとバル**  
SatoBar

120分飲み放題のセルフ式アルコールバー  
自分だけの好みの量・飲み方で、お酒を楽しむことができます。

ご利用時間 **120分**  
みどりを自分で注ぎたい！  
みどりを5分でみどりを注ぎたい！  
好きな飲み方で繰り返し注ぎたい！  
120分間お酒を飲み放題！  
みどりのレシビは量面を見てね！

飲み放題 OK  
さとカフェ 利用可

平日(月～金)の終日と 土曜の開店～15時まで	土曜の15時以降と 日曜・祝日・特定日
【お一人様/120分】 <b>998円(税込)</b>	【お一人様/120分】 <b>1,198円(税込)</b>
セット 注文の場合	単品 の場合
上記価格に <b>200円(税込)</b>	

オリジナルカクテルを作ろう！  
お好みのリキュールを  
お好みの量  
+  
さとカフェドリンク各種

組合せ自由自在！ **50種類** 以上が楽しめる、さとのドリンクバー！

**さとカフェ**  
セルフ式ドリンクバー

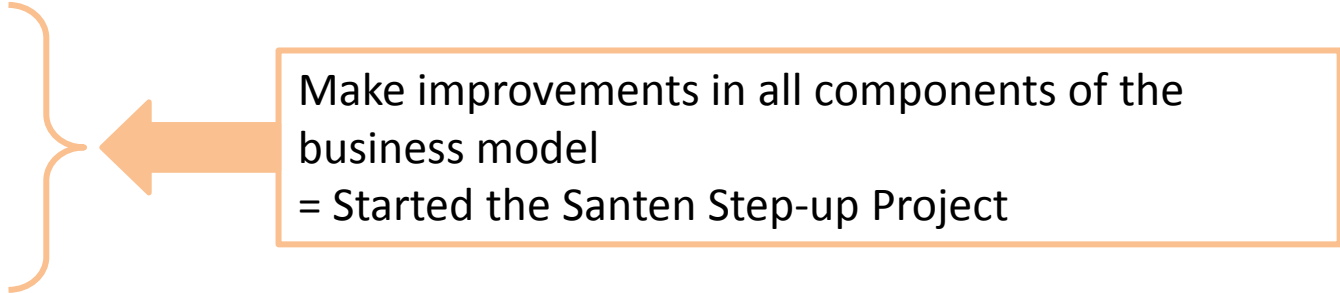
【大人お一人様】 **238円(税込)**  
【小学生未満のお子様】 **100円(税込)** (10歳未満のお子様は大人同伴必須)



## ➤ Issues

- Santen is the SRS Group's biggest source of growth
- This business model must be taken to a higher level in order to continue growing

- (1) Flavors and quality
- (2) Prices and menu items
- (3) Restaurant system/layout
- (4) Quality of services
- (5) Sales promotion activities



Make improvements in all components of the business model  
= Started the Santen Step-up Project

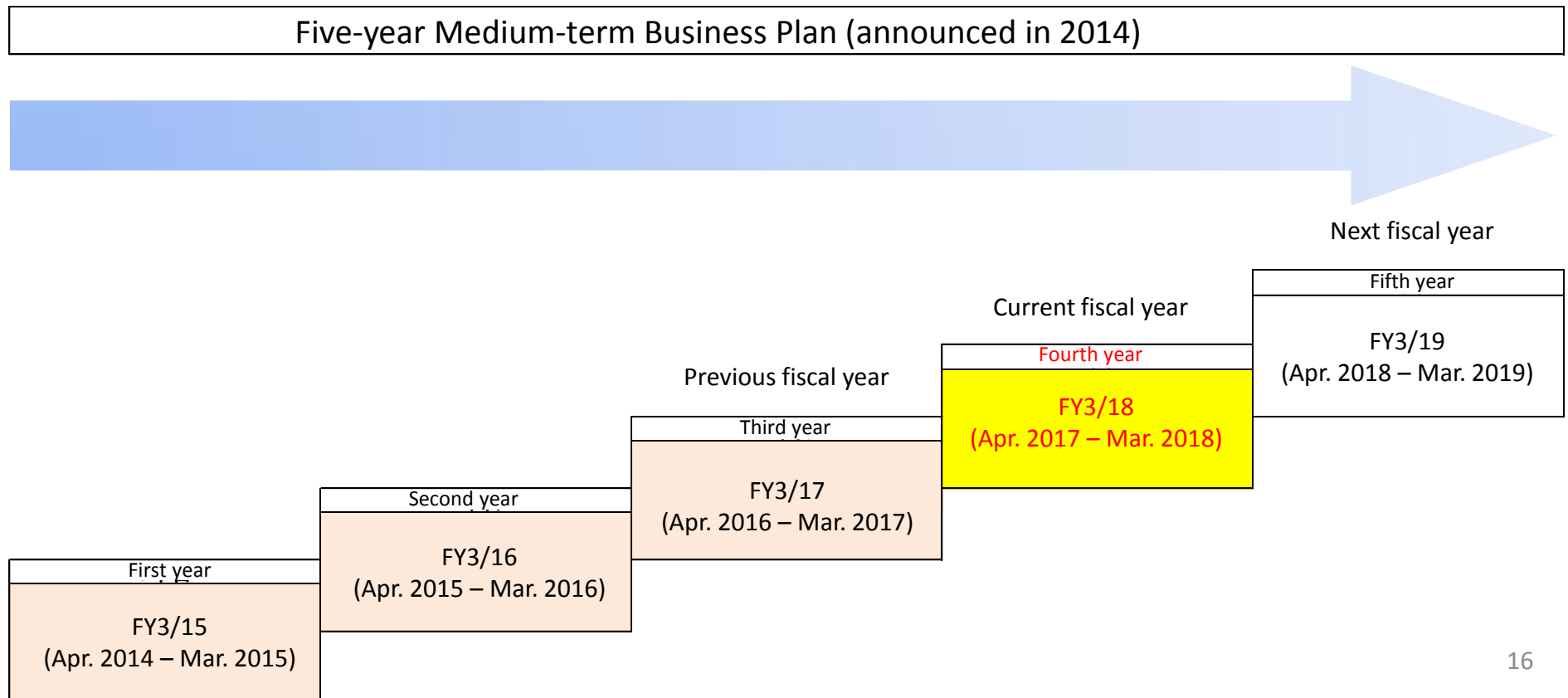
## ➤ The Santen Step-up Project

- To use all of the SRS Group's knowledge, this project also includes managers from other group restaurants.  
→The primary goals are **more appealing products, more effective promotions and an improved sales system.**

### <Objectives of the Santen Step-up Project>

- I. Increase the ratio of repeat customers and serve a larger range of customer segments while maintaining the minimum price of ¥390
- II. Advance restaurant operations to the next generation
- III. Started trials in FY3/18 and plan to begin opening new-format restaurants in FY3/19

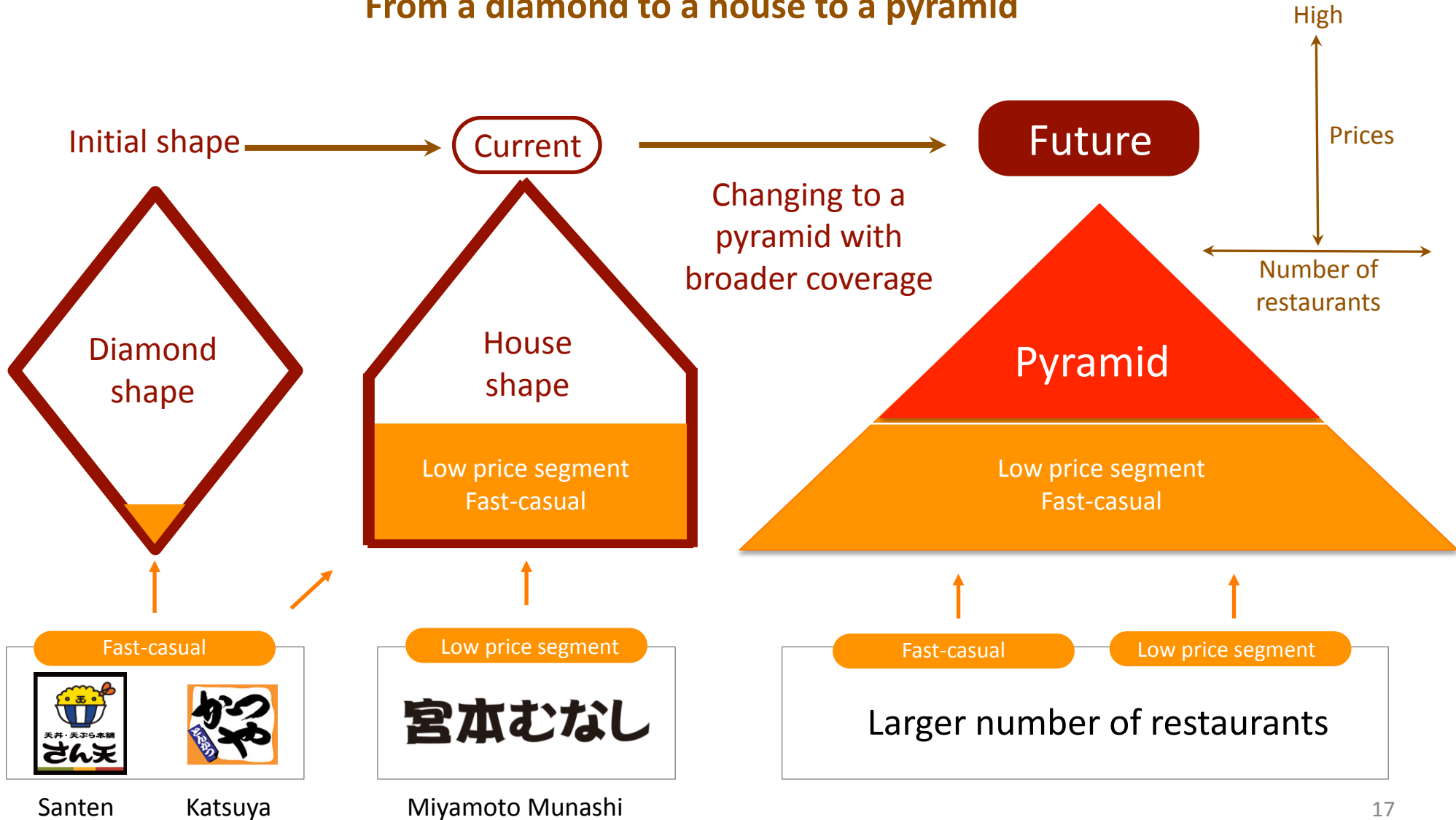
# Medium-term Business Plan and Future Outlook



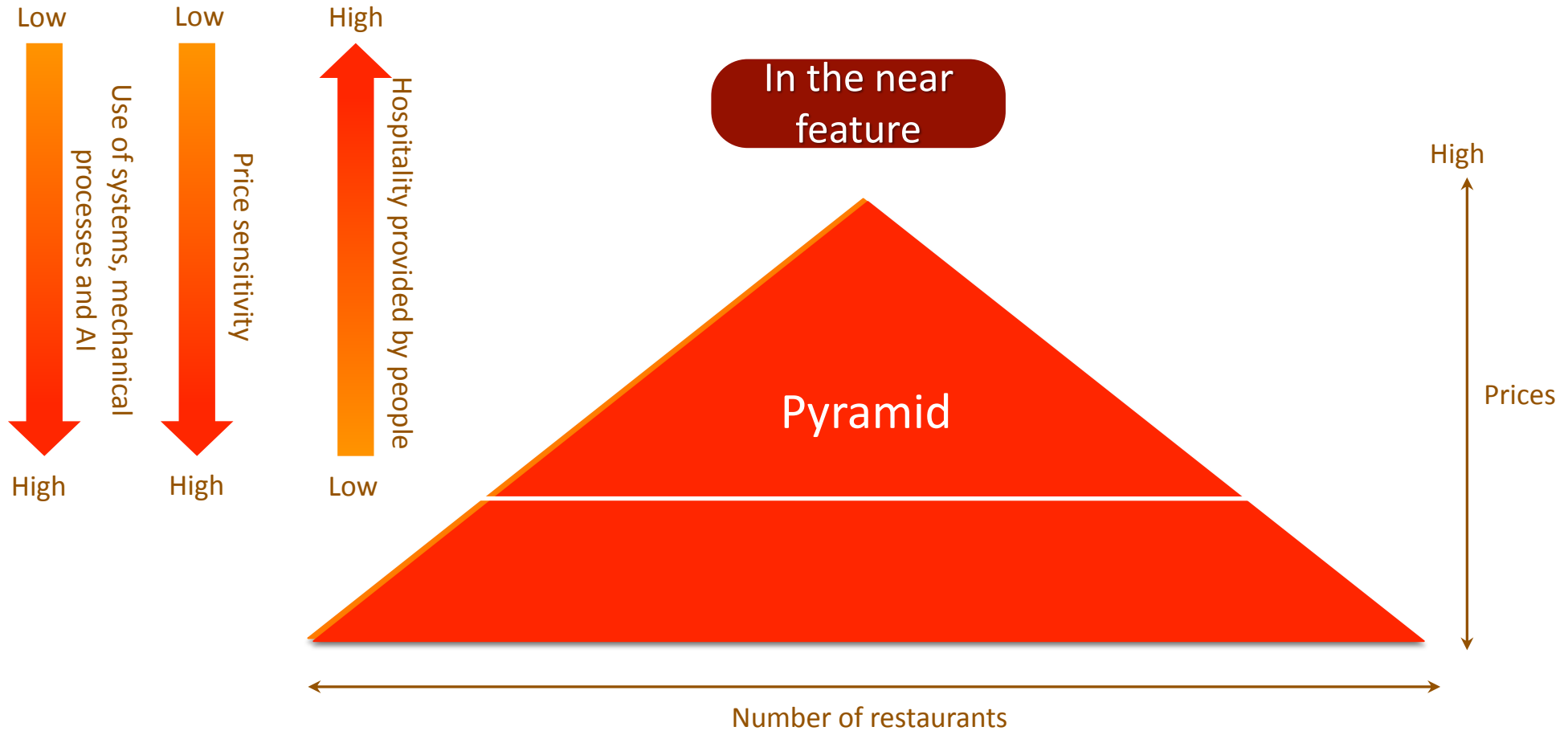


# Transforming Restaurant Composition from a Diamond to a Pyramid

## From a diamond to a house to a pyramid



# Transforming Restaurant Composition from a Diamond to a Pyramid



# Medium-term Business Plan and Actual Results

(Millions of yen)	Medium-term Business Plan (FY3/17)	FY3/17 Results	Vs. plan (amount)	Vs. plan (ratio)
Net sales	44,700	43,354	(1,346)	97.0%
Operating profit	1,500	405	(1,095)	27.0%
Ordinary profit	1,400	416	(984)	29.7%
Profit	550	(234)	(784)	-



- Sales of existing restaurants in core businesses surpassed the plan



- Restaurant openings in the fast-casual sector were slower than planned  
Number of restaurants: Plan 462 stores → Results 445 stores (-17 stores)
- Higher personnel expenses (about 3 pct. points vs. sales, up about ¥1.2 billion)  
About ¥500 million for improving the work environment, ¥500 million for higher wages and ¥200 million for higher social insurance payments



(SRS Holdings estimates)

Productivity must continue to rise due to the outlook for even higher wages.

## Become the world's leading Japanese cuisine restaurant group -Start with operations in western Japan-

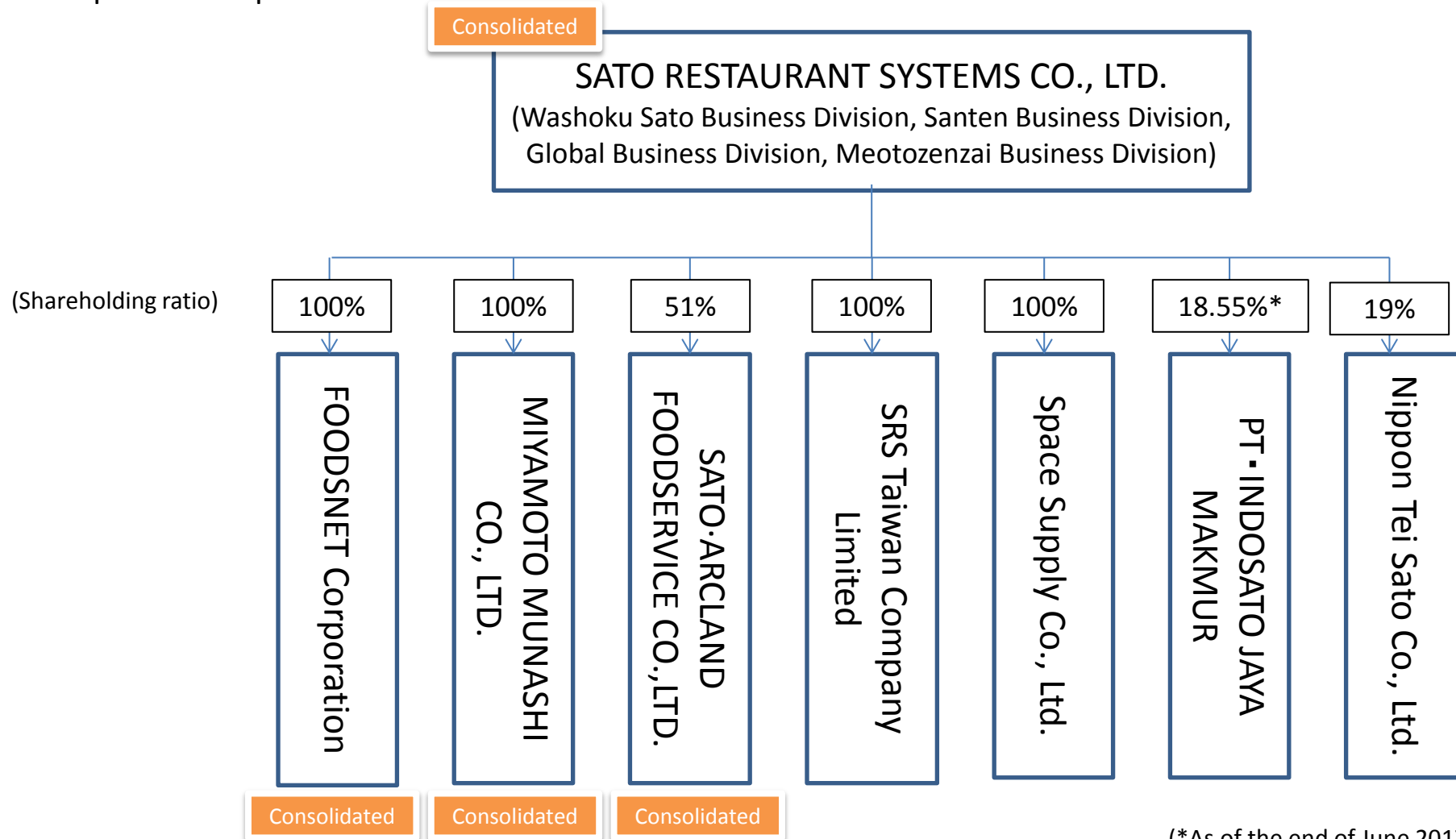
- Make each business unit self-reliant (Use holding company structure to achieve autonomous, self-sustaining growth)
  - Raise the number of restaurants to at least 100 in every business!  
(First, at least make each restaurant brand number one in western Japan)
  - Goal for all businesses = Raise productivity (profitability)
    - Established the Future Operations Creation Department** with the following goals
    - End labor-intensive business model and streamline tasks performed at all restaurants  
(customer payments, dish washing, etc.)
    - ❑ Invest in machines and other equipment for tasks where people cannot add value and where machines can perform tasks with more reliability and accuracy than people can
    - ❑ Invest in training programs for the carefully selected tasks that people should perform  
(SRS Group must end labor-intensive operations in order to offer more competitive prices)
- Use M&A for business growth and higher profitability
  - Focus acquisitions mainly on businesses that will be the base of the pyramid
  - Enhance the SRS Group's presence, mainly in western Japan
- Continue to aim for growth in other countries
- Use business growth and the focused use of resources to make the SRS Group's operations more efficient  
(improve profitability)



# Appendix

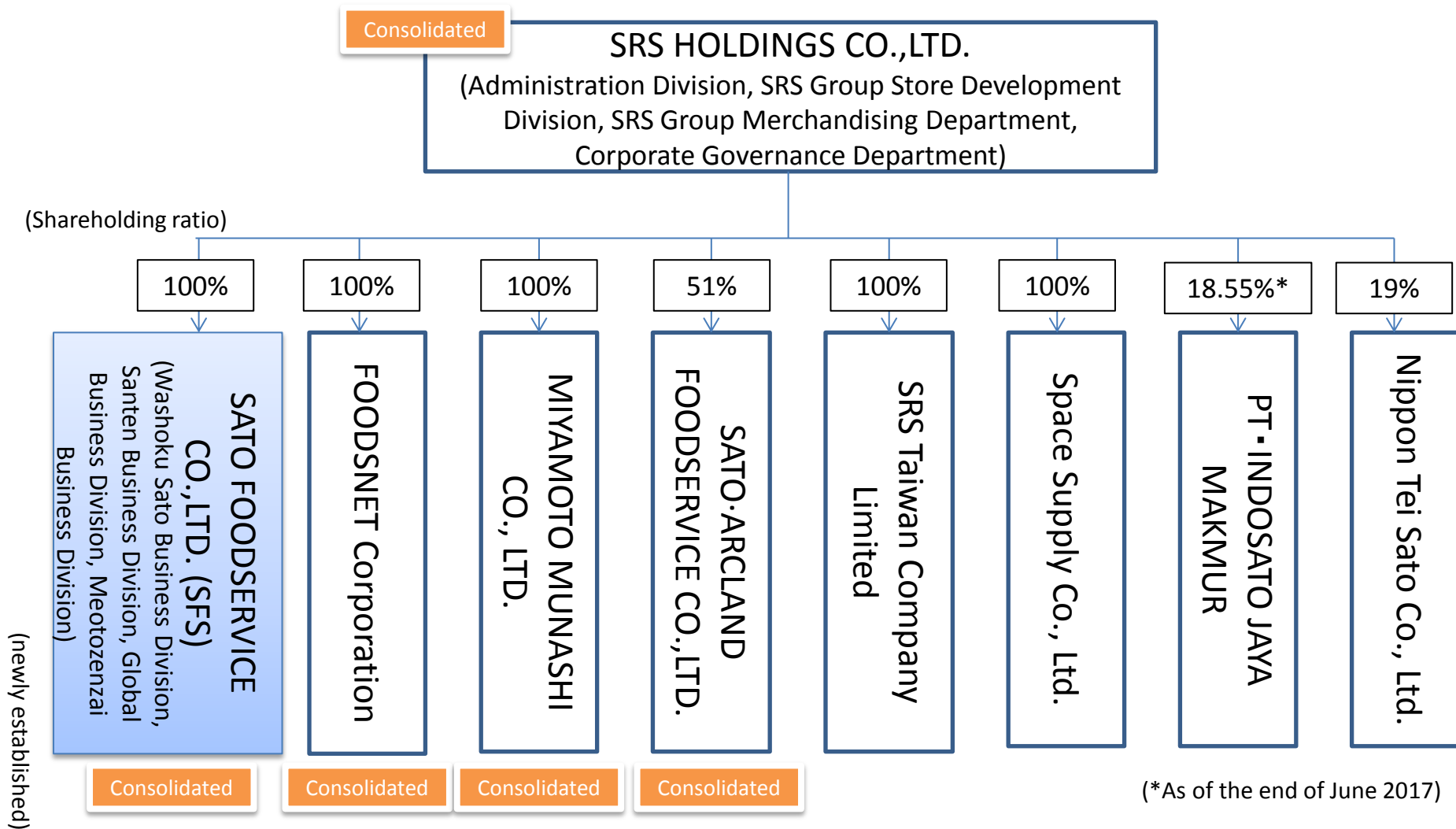
# Transition to a Holding Company Structure

Group structure prior to the transition



# Transition to a Holding Company Structure

Group structure after the transition



➤ Objective

- Create and implement systems and equipment that can improve productivity and reduce the need for people at restaurants.
- Using these systems and equipment will enable restaurants to deal with the expected continuation of growth in personnel expenses and labor shortage.



First steps:

Examine all the tasks performed by employees and the actions of customers at restaurants in order to determine areas that are suitable for using new systems and equipment.

Restaurant staff – Reception, provision of guidance, reservations, processing payments, dish washing, training programs, etc.

Customers – Confirming whether tables are open, initial reception procedure, placing orders, payment, etc.

The department's goal is to build systems capable of linking restaurants, employees and customers.



➤ The current action plan

- Operation system for when customers enter a restaurant (reception, provision of guidance, etc.) = Example: Use AI for reception
- Operation system for when customers leave (payment, etc.) = Example: Automated payment unit
- Systems for tasks performed by employees (dish washing, training, etc.) = Example: Fully automated dish washing and other cleaning equipment



# Consolidated Balance Sheet

(Millions of yen)

	<b>FY3/17</b> <b>(As of Mar. 31, 2017)</b>	<b>Second quarter of FY3/18</b> <b>(As of Sep. 30, 2017)</b>	<b>Change</b>
Current assets	10,906	12,232	<b>+1,325</b>
Non-current assets	20,449	18,362	<b>(2,086)</b>
Current liabilities	7,592	7,285	<b>(307)</b>
Non-current liabilities	9,565	9,017	<b>(547)</b>
Net assets	14,284	14,389	<b>+104</b>
Total assets	31,443	30,692	<b>(750)</b>

Current assets: increased mainly due to an increase in cash resulting from the sale of Sushi-han Business

Non-current assets: decreased mainly due to a decrease in land resulting from the sale of Sushi-han Business



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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.