



# SRS HOLDINGS CO.,LTD. Financial Results Explanatory Materials for the Fiscal Year Ended March 2018 and New Medium-term Business Plan

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# **FY3/18**

## **Overview of Financial Results**

◆ **Net sales**    **¥44,155** million    **+¥800** million YoY    **+1.8%** YoY

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- Sales declined due to the sale of the *Sushi-han* business, but this was offset by higher sales of MIYAMOTO MUNASHI CO., LTD., which was consolidated in FY3/17, and the opening of new *Santen* and other restaurants.

◆ **Operating profit**                      **¥741** million                      **+¥335** million YoY  
**Ordinary profit**                      **¥592** million                      **+¥175** million YoY

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- Operating profit and ordinary profit increased due to growth in earnings at subsidiaries, a decline in expenses because of the advisory fee one year earlier involving the acquisition and other factors.

◆ **Profit attributable to owners of parent**                      **¥108** million                      **+¥342** million YoY

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- Profit attributable to owners of parent increased due to a gain of ¥284 million on the sale of the shares of a subsidiary following the sale of the *Sushi-han* business and other factors.

# FY3/18 Consolidated Statement of Income (PL)

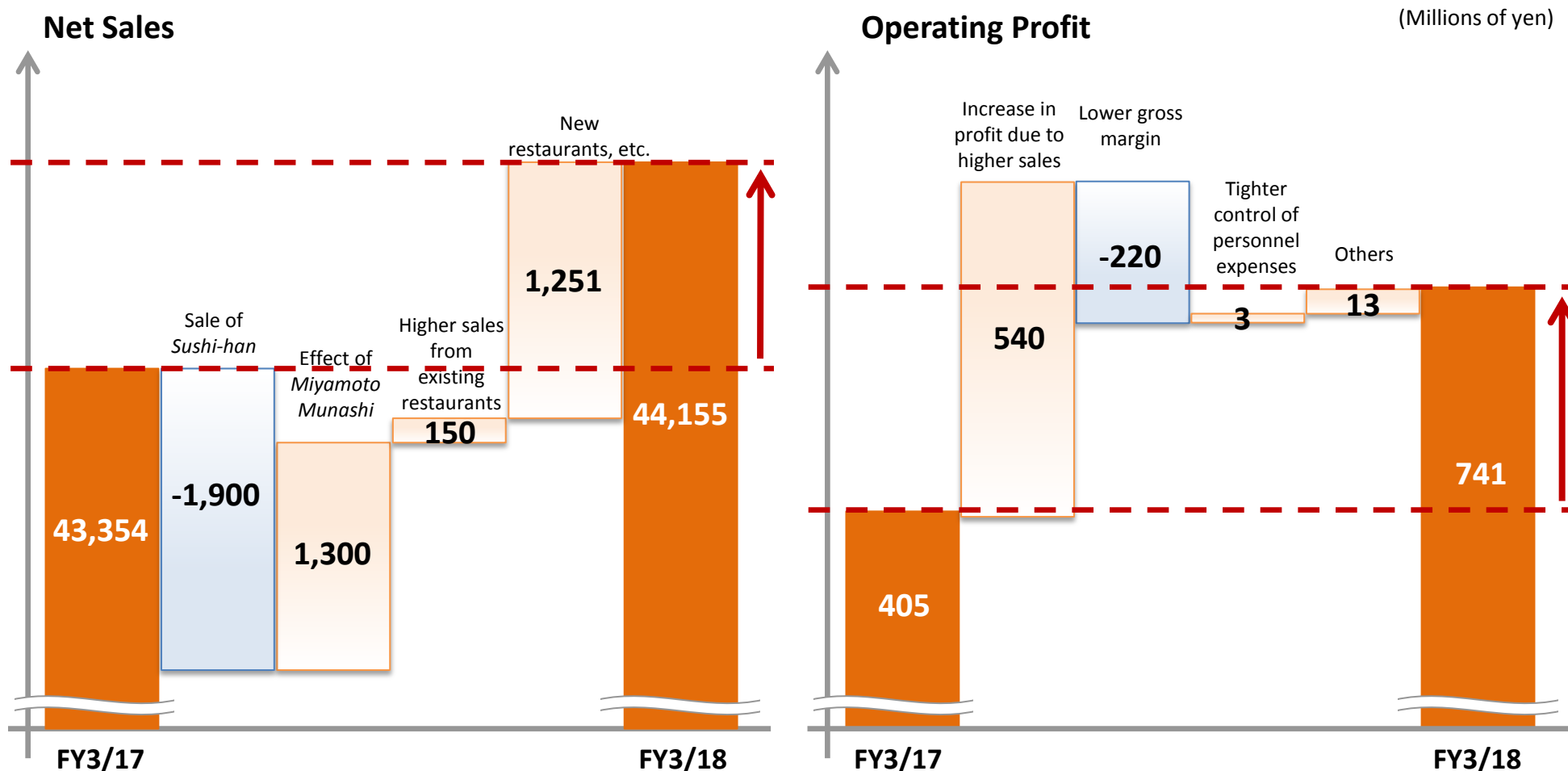
## Sales were higher than planned and earnings below the plan

- Sales surpassed the plan but operating profit was below the plan. The main causes of the earnings shortfall were higher personnel and utilities expenses and the first inclusion in the consolidated financial statements of the Taiwan subsidiary due to its increasing significance.
- Ordinary profit was below the plan because of a foreign exchange valuation loss caused by the yen's strength and an impairment loss for business and other assets impacted profit attributable to owners of parent.

(Millions of yen)	FY3/18				(Ref.) FY3/17
	Plan	Results	Vs. plan (ratio)	Vs. plan (amount)	Results
Net sales	44,000	44,155	100.4%	+155	43,354
Operating profit	750	741	98.8%	(8)	405
Ordinary profit	700	592	84.7%	(107)	416
Profit attributable to owners of parent	270	108	40.2%	(161)	(234)

# FY3/18 Changes in Net Sales and Operating Profit

- Sales increased and earnings were higher as the first full-year sales contribution from MIYAMOTO MUNASHI CO., LTD., which was consolidated in FY3/17, the opening of new *Santen* and other restaurants, and other factors more than offset the lower gross margin caused by the higher cost of food and other items.

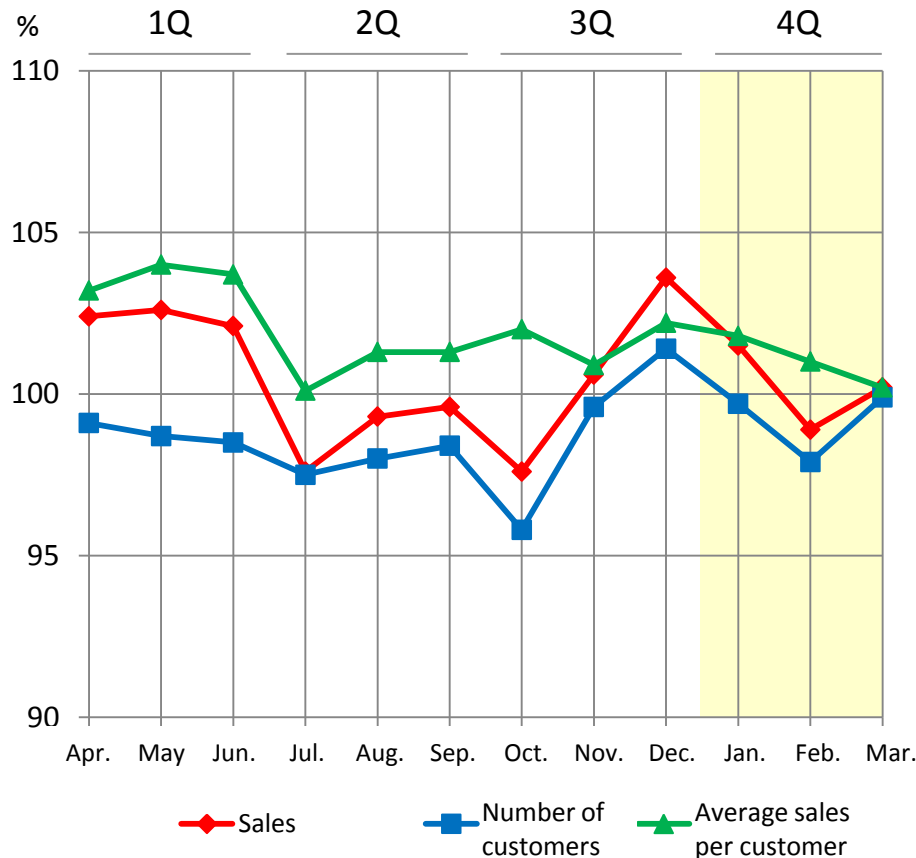


# FY3/18 4Q Existing Restaurant Sales in Core Business

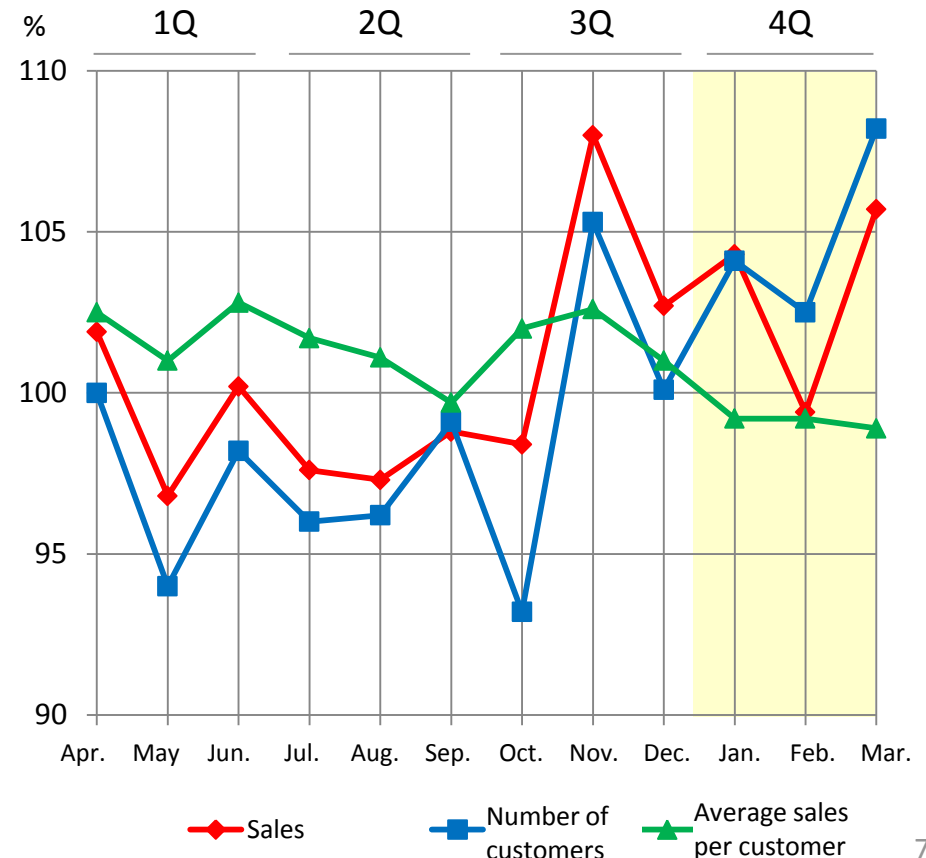
## Formats

- At *Washoku Sato*, sales are moving up because of higher sales of *Sato-Shabu* and *Sato-Suki* (all-you-can-eat shabu-shabu/sukiyaki) and the popularity of *Sato Bar* and *Sato Café*, a new all-you-can-drink format; installation of these bar/café facilities has been completed.
- *Nigiri Chojiro* sales per customer were lower compared with the high level of one year earlier but sales were much higher because of the larger number of customers.

*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



# FY3/18 SRS Group Restaurants

	FY3/17		FY3/18			
	No. of restaurants at the end of period		No. of restaurants planned to open	Opened	Closed	No. of restaurants at the end of period
<b>Washoku Sato</b>	<b>202</b>		<b>2</b>	<b>1</b>	<b>3</b>	<b>200</b>
<b>Santen</b>	<b>40</b>	<b>(1)</b>	<b>13 (5)</b>	<b>6 (1)</b>	<b>-</b>	<b>46 (2)</b>
<b>Nigiri Chojiro/Chojiro</b>	<b>57</b>		<b>3</b>	<b>1</b>	<b>1</b>	<b>57</b>
<b>Miyamoto Munashi</b>	<b>69</b>	<b>(7)</b>	<b>1</b>	<b>2</b>	<b>5 (1)</b>	<b>66 (6)</b>
<b>Katsuya</b>	<b>36</b>	<b>(19)</b>	<b>5 (3)</b>	<b>3 *1</b>	<b>3 (3)</b>	<b>36 (16)</b>
<b>Meotozenzai</b>	<b>1</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Home Delivery Sushi (Nigiri Chujiro/Miyakobito)</b>	<b>21</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>1 (1)</b>	<b>20 (13)</b>
<b>Sushi-han *2</b>	<b>13</b>		<b>-</b>	<b>-</b>	<b>13</b>	<b>- -</b>
<b>Overseas restaurants</b>	<b>6</b>	<b>(4)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>6 (4)</b>
<b>Group total</b>	<b>445</b>	<b>(45)</b>	<b>25 (8)</b>	<b>13 (1)</b>	<b>26 (5)</b>	<b>432 (41)</b>

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

\*1: Two newly opened *Katsuya* restaurants were converted from franchised to directly managed.



\*2: *Sushi-han* business was sold at April 1, 2017.









# **Progress Report on Restaurant Initiatives**

# FY3/18 Progress Report on Restaurant Initiatives

#	Main Categories	Initiatives and Progress
1	 <p>Washoku SATO</p>	<ul style="list-style-type: none"> <li>◆ <b><u>Added Sato Bar/Sato Café at all restaurants</u></b> <ul style="list-style-type: none"> <li>✓ 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 <i>Washoku SATO</i> restaurant</li> <li>✓ Using a new, more refined design for a new <i>Washoku SATO</i> branding strategy                             <ul style="list-style-type: none"> <li>→ Addition of a <i>Sato Bar/Sato Café</i> at 197 restaurants was completed at the end of the first nine months of FY3/18.</li> </ul> </li> </ul> <p>Sales continue to climb as this new bar/café format attracts more customers.</p> </li> <li>◆ <b><u>Installed dispensers for udon noodle broth and soup stock</u></b> <ul style="list-style-type: none"> <li>✓ Dispensers improve and stabilize quality, boost employee productivity and raise the gross margin.</li> <li>→ Installation of dispensers at all restaurants was completed in March 2018.</li> </ul> </li> </ul>
2	 <p>Santen</p>	<ul style="list-style-type: none"> <li>◆ <b><u>Appointed a manager for the full-scale development of companies to operate franchised restaurants</u></b> <ul style="list-style-type: none"> <li>✓ The Kansai, Kanto, Tokai, Sanyo and Shikoku areas are the primary regions for franchised restaurants.                             <ul style="list-style-type: none"> <li>→ There are currently two franchise partners (Aichi, Tokushima).</li> </ul> </li> <li>The second franchised <i>Santen</i> opened in January 25, 2018 in Tokushima city (first restaurant in Shikoku).</li> </ul> </li> <li>◆ <b><u>Further increase marketing activities and profitability</u></b> <ul style="list-style-type: none"> <li>→ Children's menu, <i>Negi Chashu</i> (leek and roasted pork fillet) <i>Tendon</i> and other items were introduced to target families and young people.</li> <li>→ The personnel expense ratio improved by controlling the timing of workforce use and taking other actions.</li> </ul> </li> <li>◆ <b><u>Started the Santen Step-up Project</u></b> <ul style="list-style-type: none"> <li>✓ A <i>Santen</i> Step-up Project started for improving profitability and further refining the <i>Santen</i> business model with the goal of making <i>Santen</i> a major source of growth for the SRS Group.</li> <li>→ Trials started in February 2018 for new menu lineups and restaurant layouts at existing restaurants.</li> </ul> </li> </ul>

# FY3/18 Progress Report on Restaurant Initiatives

#	Main Categories	Initiatives and Progress
3	 Nigiri Chojiro   Chojiro	<p>◆ <u>New restaurants will be opened mainly in the Kansai area (retain position as the leading brand in Kansai for gourmet conveyor belt sushi)</u></p> <p>→ Opened the Itami Branch (Hyogo prefecture) on August 5</p>
		<p>◆ <u>Opened Chojiro Hozenji restaurant as the flagship restaurants for foreign tourists</u></p> <p>→ Attract foreign customers by placing Osaka sightseeing passes and other coupons in tourist magazines (more than 100 visits by individuals/groups every month)</p> <p>Third-floor dining room for tour groups (tie-ups with tour companies to bring groups to the restaurant)</p> <p>Customer numbers continue to climb because of these marketing activities and other measures.</p>
		<p>◆ <u>A variety of marketing and promotional activities to attract more customers</u></p> <p>→ Special seasonal event menu items, TV commercials linked to SNS and other measures</p>
4	 Miyamoto Munashi	<p>◆ <u>Redecorating restaurants to create a new look (bright, clean interiors to serve a larger range of customer segments)</u></p> <p>→ 29 restaurants redecorated as of the end of 1H FY3/18 (completed all redecorations planned for FY3/18); sales up 5% to 7% at redecorated restaurants</p>
		<p>◆ <u>Adding new dishes with substantial added value (raises sales per customers and the gross margin)</u></p> <p>→ Added 19 menu items during the first nine months (hamburger cutlet, cheese chicken salsa and others)</p>
		<p>◆ <u>Two new restaurants in Osaka</u></p> <p>→ Opened the Tenjinbashisuji 3-chome Branch on December 20 (first new directly operated restaurant in 8 years)</p> <p>→ Opened the JR Terada-cho Ekimae Branch on March 4 (the second new restaurant after Miyamoto Munashi joined the SRS Group)</p>
5	 Katsuya	<p>◆ <u>Continuing to open directly operated and franchised restaurants in the Kansai area</u></p> <p>→ Opened the Takarazuka Branch on December 22</p>
		<p>◆ <u>Increasing the profitability of existing restaurants</u></p> <p>→ Continuing to make menu items more appealing and serving food in a more timely manner</p>

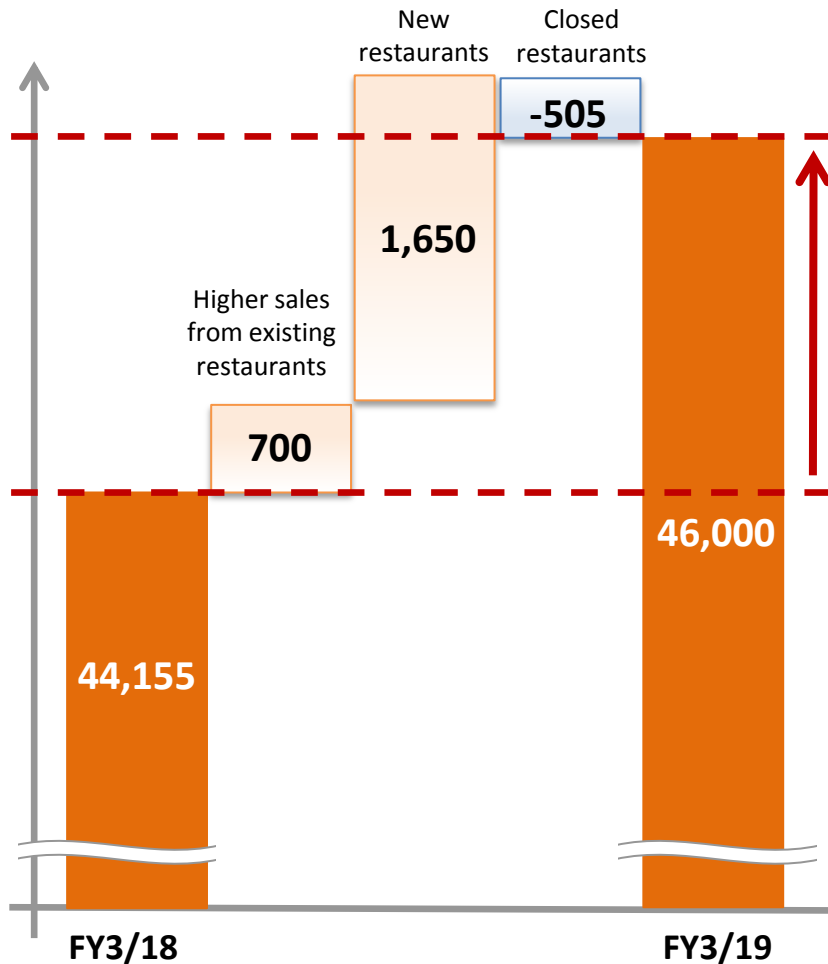
# FY3/18 Progress Report on Other Initiatives

#	Main Categories	Initiatives and Progress
6	Optimized main office operations	<ul style="list-style-type: none"> <li>◆ <u>Sale of the <i>Sushi-han</i> business made operations more efficient, primarily the merchandising department</u></li> </ul>
7	Strengthened governance	<ul style="list-style-type: none"> <li>◆ <u>Established the Corporate Governance Department on April 1, 2017</u></li> <li>◆ <u>Switched from a company with a board of corporate auditors to a company with an audit and supervisory committee on June 29, 2017</u></li> </ul>
8	Organization restructuring	<ul style="list-style-type: none"> <li>◆ <u>Shifted to a holding company structure on October 1, 2017</u> <ul style="list-style-type: none"> <li>✓ Speeding up decision-making by separating the management strategy and business operation functions</li> </ul> </li> <li>◆ <u>Established the Innovative Operation Development Department on October 1, 2017</u> <ul style="list-style-type: none"> <li>✓ Ending labor-intensive business activities and more effective restaurant operations (achieve both higher productivity and effective labor management)                             <ul style="list-style-type: none"> <li>→ Consider using artificial intelligence reception systems</li> </ul> </li> </ul> </li> </ul>
9	Overseas business	<ul style="list-style-type: none"> <li>◆ <u>Taiwan</u> <ul style="list-style-type: none"> <li>→ The third restaurant is scheduled to open in June 2018 and the fourth in July 2018. The third restaurant is planning to introduce a drink and dessert bar, touch screens and other amenities that are used for the first time at an SRS Group overseas restaurant.</li> </ul> </li> <li>◆ <u>Thailand</u> <ul style="list-style-type: none"> <li>→ Opened the first <i>Sato-don</i> restaurant at the end of April 2018. The restaurant specializes in rice bowl dishes, a new restaurant concept specifically for food courts.</li> </ul> </li> </ul>

# FY3/19 Changes in Net Sales and Operating Profit

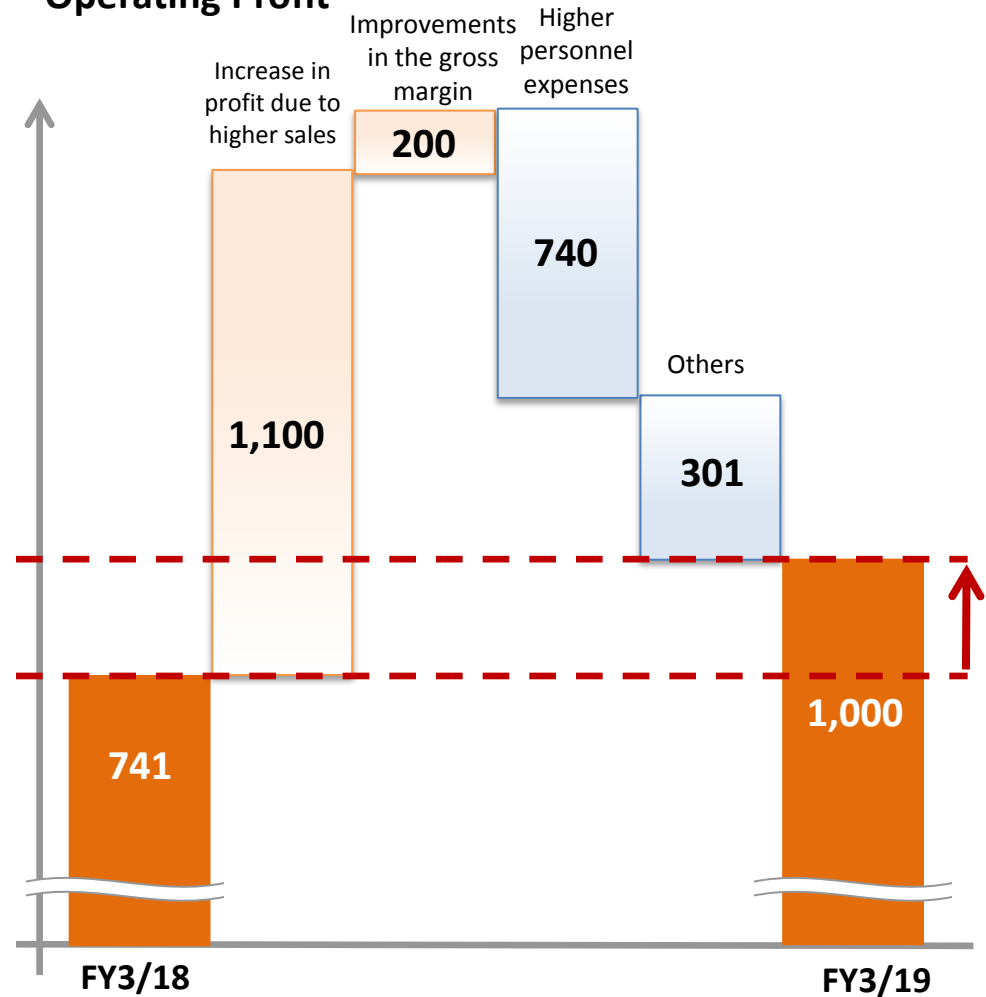
- Higher sales and earnings due to opening new restaurants and improving profitability at existing restaurants offset increases in personnel and other expenses

## Net Sales



## Operating Profit

(Millions of yen)





## **FY3/19 Earnings Forecasts**

# FY3/19 Earnings Forecasts

(Millions of yen)

	FY3/18 Results	FY3/19 Forecast	YoY change
Net sales	44,155	46,000	+1,845
Operating profit	741	1,000	+259
Ordinary profit	592	1,000	+408
Profit attributable to owners of parent	108	200	+92

## FY3/19 Main assumptions for the forecasts

### Net sales (million yen)

Existing restaurants +¥700, New restaurants +¥1,650, Restaurant closings -¥505

### Earnings

Operating margin of 2.1% (0.5 pct. point improvement)

### New restaurants

Plan to add 37 stores







# FY3/19 Restaurant Opening Plan

	FY3/18		FY3/19		
	Opened	No. of restaurants at the end of period	No. of restaurants planned to open	No. of restaurants planned to be closed	No. of restaurants at the end of period
<i>Washoku Sato</i>	1	200	6	0	206
<i>Santen</i>	6 (1)	46 (2)	6 (3)	-	52 (5)
<i>Meotozenzai</i>	-	1	-	-	1
<i>Nigiri Chojiro/Chojiro</i>	1	57	6	1	62
<i>Nigiri Chujiro</i>	-	6	3	-	9
<i>Miyakobito</i>	-	14 (13)	-	0	14 (13)
<i>Miyamoto Munashi</i>	2	66 (6)	5	2	69 (6)
<i>Katsuya</i>	3*	36 (16)	7 (2)	0	43 (18)
New restaurant formats	-	0	1	-	1
Overseas restaurants	-	6 (4)	3 (1)	-	9 (5)
<b>Group total</b>	<b>13 (1)</b>	<b>432 (41)</b>	<b>37 (6)</b>	<b>3</b>	<b>466 (47)</b>

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

\*Two newly opened *Katsuya* restaurants were converted from franchised to directly managed.



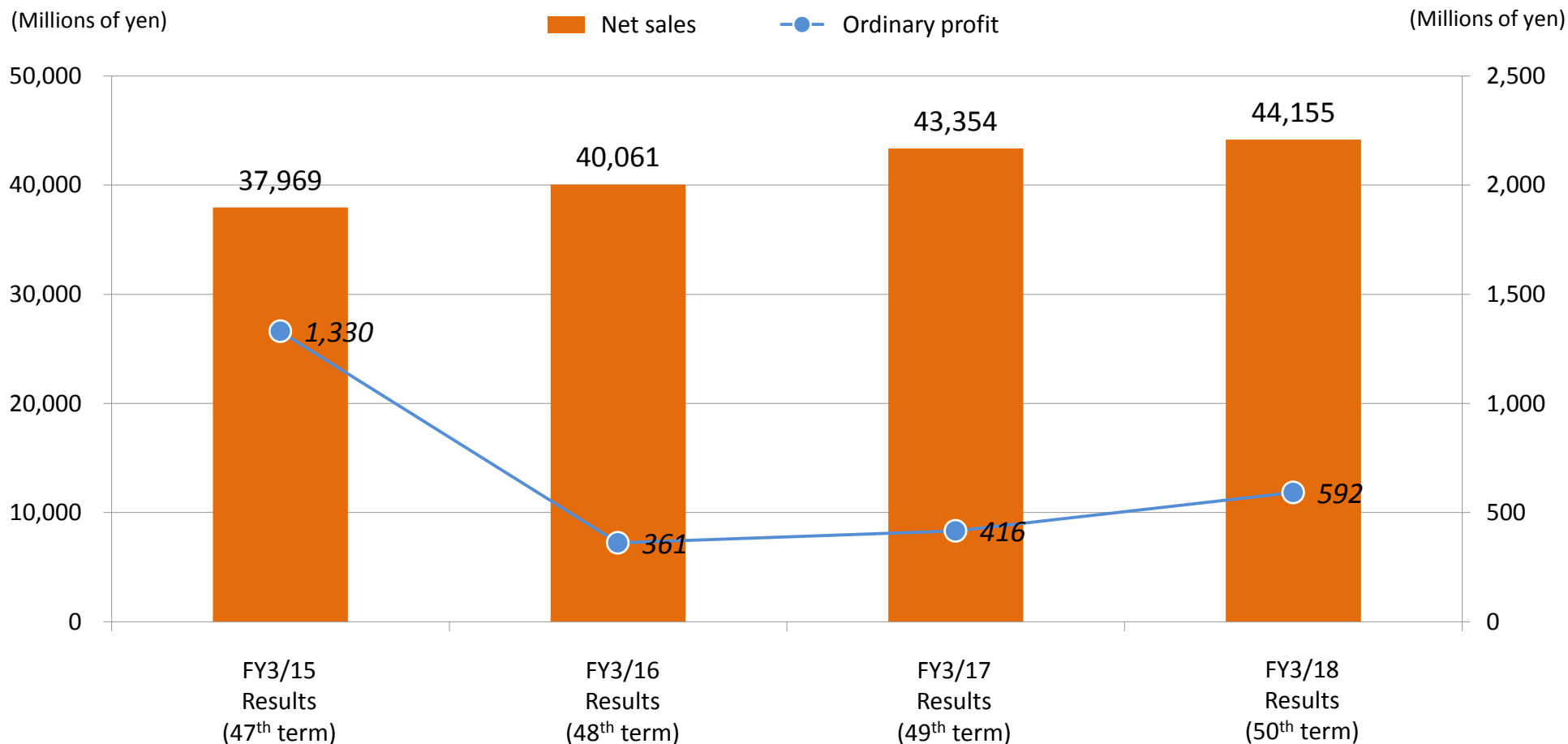
#	Main Categories	Initiatives
1	 Washoku Sato	<ul style="list-style-type: none"> <li>◆ Providing even more value by upgrading the core all-you-can-eat menu</li> <li>◆ Continuing to open restaurants and experiment with new store concepts</li> <li>◆ Developing and testing AI and mechanical systems for raising productivity</li> </ul>
2	 Santen	<ul style="list-style-type: none"> <li>◆ Further refine the <i>Santen</i> business and raise profitability by using the <i>Santen</i> Step-up Project to improve menus, promotions, sales systems and other aspects of operations</li> <li>◆ Continuing to open new directly operated and franchised restaurants</li> </ul>
3	 Nigiri Chojiro  Chojiro	<ul style="list-style-type: none"> <li>◆ Continuing to open new restaurants in the Kansai area (retain position as the leading brand in Kansai for gourmet conveyor belt sushi)</li> <li>◆ Expanding into new commercial areas such as the Chubu area</li> </ul>
4	 Miyamoto Munashi	<ul style="list-style-type: none"> <li>◆ Continuing to redecorate restaurants to create a new look (bright, clean interiors to serve a larger range of customer segments)</li> <li>◆ Continuing to add a limited-time-only menu with substantial added value (raises sales per customers and the gross margin)</li> <li>◆ Continuing to open new restaurants</li> <li>◆ Upgrading ordering systems used by restaurants for purchasing food and other supplies to reduce the restaurant workload</li> </ul>
5	 Katsuya	<ul style="list-style-type: none"> <li>◆ Continuing to open new directly operated and franchised restaurants in the Kansai area</li> <li>◆ Boosting the profitability of existing restaurants</li> <li>◆ Considering opening new restaurant formats</li> </ul>
6	<b>Optimized main office operations</b>	<ul style="list-style-type: none"> <li>◆ Lowering main office expenses by improving the efficiency of business processes</li> </ul>
7	<b>Innovative operation development</b>	<ul style="list-style-type: none"> <li>◆ For restaurant operations with higher productivity and fewer workers, use AI and machines to end labor-intensive activities and improve efficiency</li> </ul>
8	<b>Taiwan business</b>	<ul style="list-style-type: none"> <li>◆ Planning to open the third restaurant in June and the fourth in July</li> </ul>



# **Review of the Previous Medium-term Business Plan**








# The Previous Medium-term Business Plan – Sales and Ordinary Profit

- Sales increased every year because of the acquisitions of FOODSNET (*Chojiro*), MIYAMOTO MUNASHI and other factors.
- Earnings were below the target because of the higher cost of personnel, food, utilities and other items as well as delays in restaurant openings caused partly by restrictions on sites for new fast casual restaurants.



# The Previous Medium-term Business Plan (continued)

## – Major Initiatives

Business	No. of Restaurants (FY3/14 → FY3/18)	Major initiatives
 <p>Washoku Sato</p>	197 → 200	<ul style="list-style-type: none"> <li>◆ Added <i>Sato Bar/Sato Café</i></li> <li>◆ Started using a system for placing orders at tables</li> <li>◆ Improved <i>Sato-Shabu</i> and added <i>Sato-Suki</i></li> </ul> 
 <p>Santen</p>	6 → 46	<ul style="list-style-type: none"> <li>◆ Succeeded in expansion to many locations by examining conditions for new restaurant sites, menu selections and other items after the first <i>Santen</i> opened in 2012</li> </ul>
 <p>Nigiri Chojiro</p>	50 → 57	<ul style="list-style-type: none"> <li>◆ Targeted foreign tourists in Japan, particularly at Shijo Kiyamachi and Hozenji Branches</li> <li>◆ Consistently increased the number of restaurants</li> </ul> 
 <p>Katsuya</p>	18 → 36	<ul style="list-style-type: none"> <li>◆ Number of restaurants doubled despite a reexamination of conditions for new restaurants and moves to revitalize underperforming restaurants.</li> <li>◆ Accumulated expertise for the operation of fast casual restaurants</li> </ul>
 <p>Miyamoto Munashi</p>	- → 66	<ul style="list-style-type: none"> <li>◆ Acquired MIYAMOTO MUNASHI CO., LTD. in September 2016</li> <li>◆ Resumed opening new restaurants in December 2017 after restoring the soundness of existing restaurant operations</li> </ul>
Overseas business	3 → 6	<ul style="list-style-type: none"> <li>◆ Opened the first <i>Washoku Sato</i> restaurant in Thailand in September 2014</li> <li>◆ Made the Taiwan subsidiary for <i>Washoku Sato</i> a wholly owned subsidiary in December 2016</li> </ul>
Others	-	<ul style="list-style-type: none"> <li>◆ Shifted to a holding company structure in October 2017 for speeding up decision-making</li> <li>◆ Sold the <i>Sushi-han</i> business in April 2017</li> <li>◆ Improvements in the working environment</li> </ul>



# **The New Medium-term Business plan**

## **- Project MIRAI -**

### **(FY3/19 to FY3/23)**

## Philosophy

“Contributing to society through food”

## Policy

The SRS Group aims to be the restaurant that brings the highest customer satisfaction

- Looking beyond the pursuit of sales and profit
- Enriching people's lives
- Improving the work environment
- Responding to social and economic needs
- Becoming a company that is an integral part of society

## Vision

- ✓ The SRS Group aims to be an essential social infrastructure and prosper over 100 years to come
- ✓ The SRS Group aims to be a respected industry leader by providing Japanese food to people around the world

## Social change

- ✓ **More working women and more dual-income households**
  - 11.88 million households in 2017, 1.75 million more than 10 years earlier
- ✓ **More single households and seniors living alone**
  - Share of single households is forecast to increase from 34.5% in 2015 to 39.3% in 2040.
- ✓ **Japan's declining and aging population**
  - Share of households led by a person age 65+ is forecast to increase from 36.0% in 2015 to 44.2% in 2040.
  - The pct. of people age 65+ is forecast to increase from 27.3% in 2016 to 38.4% in 2065.

## Restaurant industry changes

- ✓ **More increases in labor costs and prices for raw materials**
  - The job openings-to-applicants ratio was 1.5 in 2017.
- ✓ **More people with IT skills, increasing use of AI**
  - Increasing use of electronic, smartphone and other new payment systems
- ✓ **More increase in demand for restaurant services from foreign tourists in Japan**
- ✓ **Growth of the home-meal replacement**
  - Japan's home-meal replacement market, which includes bento boxes, prepared food and other items, is growing and competition among restaurants is becoming fierce.



- Adapt to social changes by adding value to current restaurant formats
- Overcome fierce competition in the market of home-meal replacement by developing new restaurant formats
- Use innovation to realize labor saving and become more efficient

## Vision

- ✓ The SRS Group aims to be an essential social infrastructure and prosper over 100 years to come
- ✓ The SRS Group aims to be a respected industry leader by providing Japanese food to people around the world

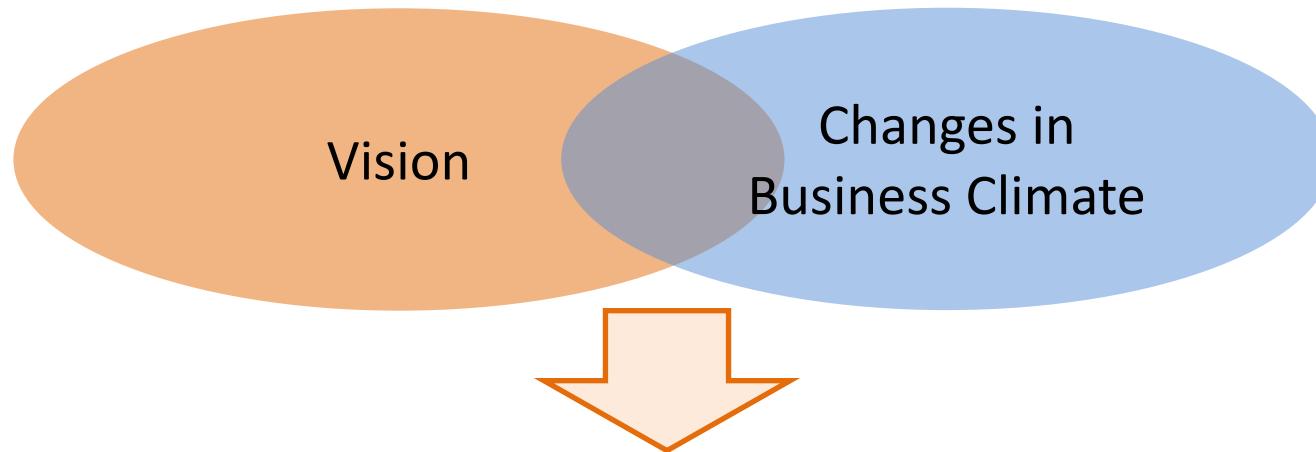
## Positioning of the New Medium-term Business Plan

- ✓ We will look beyond the pursuit of sales and profit. We will enrich people's lives, improve the work environment, and respond to social and economic needs in order to become a company that is an integral part of society
- ✓ The five-year period ending in FY3/23 is positioned as a critical time for building a sound foundation for the SRS Group to become an essential component of the social infrastructure of the future

## Basic Policies of the New Medium-term Business Plan

- ✓ Aim to provide places where people can enjoy meals that are inexpensive, delicious and enjoyable
- ✓ Establish a presence that enables us to function as part of the social infrastructure = Aim for 100 restaurants for each restaurant format
- ✓ Continue taking on challenges for the full-scale development of overseas business operations





## Main Themes of the New Medium-term Business Plan

- I. Add value, improve profitability and increase market presence at existing restaurant formats in order to adapt to changes in society and the needs of customers
- II. Develop innovative operations that will allow consistent recruiting of the required number of people as the labor costs in Japan rise
- III. Use alliances and M&A to establish a prominent presence in regions where we are strong, increase efficiency in areas where we are dominant, and benefit from a larger scale of operations
- IV. Develop new business formats that reflect to social changes
- V. Continue taking on challenges for the full-scale development of overseas business operations

# Main Themes of the New Medium-term Business Plan (Explanations)

## **I. Add value, improve profitability and increase market presence at existing restaurant formats in order to adapt to changes in society and the needs of customers**

- ✓ At high/mid-price range restaurants, increase sales by providing more value (quality, services, etc.), use revised new restaurant models (for other-than roadside sites and many other types of locations) to continue opening restaurants, and develop and introduce equipment that raises productivity
- ✓ At low price range restaurants (under ¥1,000 – *Santen, Miyamoto Munashi, Katsuya*), continue increasing the pace of restaurant openings
- ✓ For all restaurant brands, establish a stronger position in areas to the west of the Kansai and Chubu regions, which are the main markets of the SRS Group

## **II. Develop innovative operations that will allow consistent recruiting of the required number of people as the labor costs in Japan rise**

- **Using the start of full-scale operations at Innovative Operation Development Department to dramatically lower the volume of work at restaurants-**
  - ✓ Reform restaurant administrative operations like reservations, pre-orders, electronic settlements and customer management by creating a mobile app for the entire group and an ordering system linked to this app
  - ✓ Use AI customer interaction technology for self-payment/efficiency for restaurant guest reception services and payments
  - ✓ Use advanced IT technologies for labor-saving machines and robots for cooking, dishwashing and other tasks and operate trial restaurants to test these ideas

# Main Themes of the New Medium-term Business Plan (Explanations) (continued)

## **III. Alliances and M&A**

- ✓ Increase our presence in regions where we are strong and build deeper ties with customers in order to succeed as competition in the restaurant industry grows
- ✓ Move faster to cut distribution and promotional expenses and increase efficiency in areas where we are dominant
- ✓ Aim for more benefits from a large scale of operations in order to reduce exposure to the risk of an increase in the cost of food

## **IV. Develop new business formats that reflect to social changes**

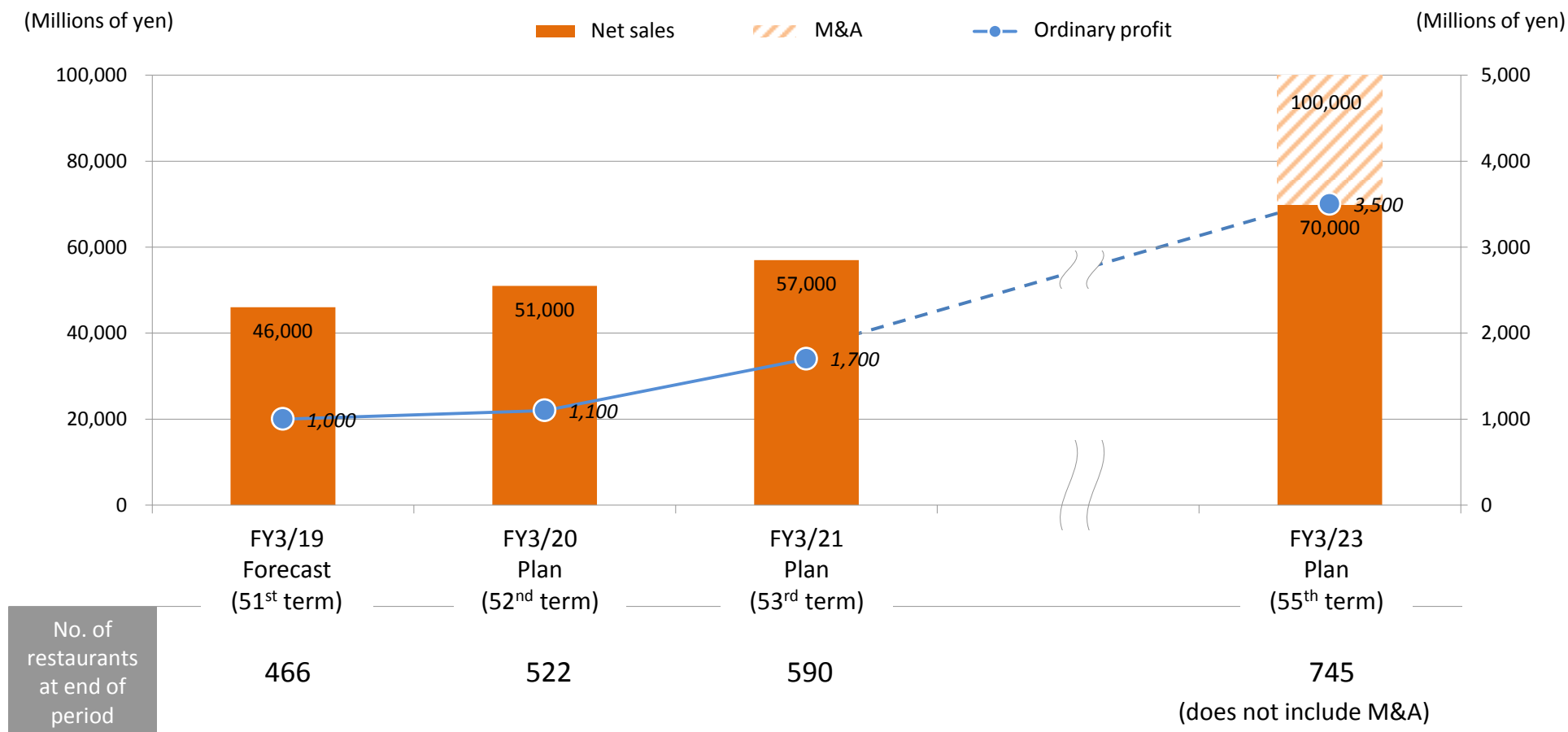
- ✓ Examine new business models that respond to demands in eating-out and home meal replacement. They should reflect trends of using restaurants for more meals, including in the growing lunch market, and eating alone, and match a diverse range of life styles and working styles. (creation of pleasant stores that people can easily use as a substitute to their kitchen, either for eating in or out)

## **V. Continue taking on challenges for the full-scale development of overseas business operations**

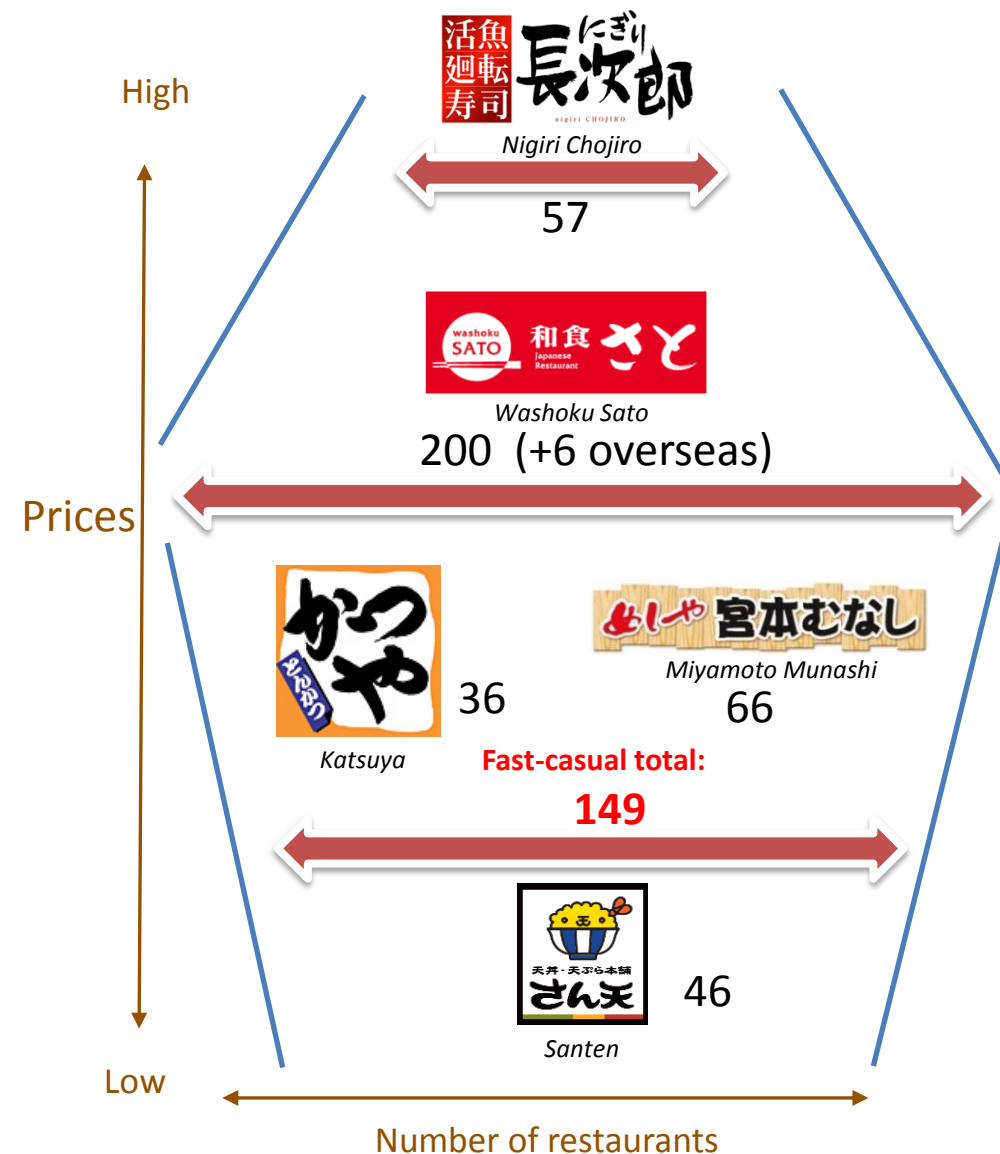
- ✓ Open restaurants in Taiwan faster
- ✓ Aim for growth of a new restaurant format in Thailand (a *Sato-don* restaurant specializing in rice bowl dishes opened at the end of April 2018)
- ✓ Open restaurants in Indonesia by using new types of locations

# New Medium-term Business Plan Numerical Targets

- In FY3/23 (55th term), the fifth and final year of the new plan, our goals are sales of ¥100 billion, including ¥30 billion from alliances and M&A, and ordinary profit of ¥3.5 billion.
- Our current ROE target is 5% and we plan to raise this to 8%.



# The Current Restaurant Portfolio of the SRS Group



## • Nigiri Chojiro/Chojiro: Gourmet conveyor belt sushi

Average sales per customer ¥2,350

The leading brand in Kansai in this category with quality that surpasses that of conventional conveyor belt sushi



## • Washoku Sato: Family restaurants

Average sales per customer ¥1,300

Japan's largest chain of Japanese food restaurants featuring the very popular Sato-Shabu (all you can eat)



## • Katsuya: Specializes in pork cutlet dishes

Average sales per customer ¥700

Katsudon and Tonkatsu meals at the lowest prices



## • Miyamoto Munashi: Specializes in teishoku (set meal)

Average sales per customer ¥650

A low-priced teishoku restaurant chain located near railway stations



## • Santen: Specializes in tendon and tempura

Average sales per customer ¥550

Specialty tendon and tempura restaurant quality at remarkable prices (only ¥390 for Prawn Tendon)



I. Add value, improve profitability and increase market presence at existing restaurant formats

## The Near-future Goal for the SRS Group Restaurant Portfolio

In the near  
feature

### SRS Pyramid



Business formats with average sales per customer of under ¥1,000 have the potential to become large restaurant chains.  
(See page 37 for enlargement)



Expand lower-priced business formats

## Activities at Current Restaurant Formats

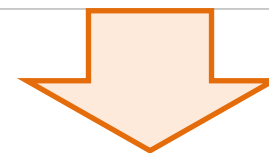
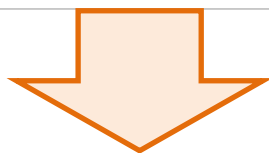


Washoku Sato



Santen

<b>Strengths</b>	<ul style="list-style-type: none"> <li>✓ Japan's largest chain of Japanese food restaurants</li> <li>✓ The SRS Group's core brand and largest restaurant chain</li> <li>✓ Preparations completed for full-scale operation in Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Positioned as the primary source of growth for the SRS Group</li> <li>✓ The lowest prices among fast-casual tendon restaurants</li> </ul>
<b>Issues</b>	<ul style="list-style-type: none"> <li>✓ Improve gross profit and productivity to cover the rising personnel expenses</li> <li>✓ Enter new markets and develop business formats to continue increasing the number of restaurants</li> <li>✓ Start full-scale operations in Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Improve profitability of existing restaurants</li> <li>✓ Enter new markets and revise business formats to continue increasing the number of restaurants</li> </ul>



<b>Initiatives during next 5 years</b>	<ul style="list-style-type: none"> <li>● Develop business formats to open restaurants faster – Formats for tenant restaurants at station shopping buildings, specialty restaurant format, etc.</li> <li>● Outsourcing of home delivery</li> <li>● Further increase productivity – Restaurant guest reception robots, automated payment system, more efficient dishwashing, etc.</li> <li>● Internet reservation system</li> <li>● Increase the pace of restaurant openings in Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>● Improve and confirm the model used for new restaurants → Resume opening restaurants</li> <li>● Renovate existing restaurants to match the project model</li> <li>● Consider restaurant models for building interior sites and food courts</li> <li>● Start opening restaurants in Chugoku and Shikoku</li> </ul>
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## Activities at Current Restaurant Formats (continued)



Nigiri Chojiro

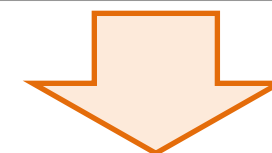
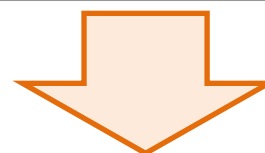
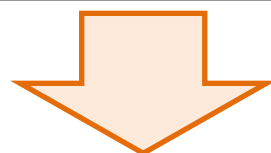


Miyamoto Munashi



Katsuya

Strengths	<ul style="list-style-type: none"> <li>✓ Retain position as the leading brand in Kansai for gourmet conveyor belt sushi</li> <li>✓ Increase measures to attract foreign tourists</li> </ul>	<ul style="list-style-type: none"> <li>✓ Redecorate restaurants to create a new look (bright, clean interiors to serve a larger range of customer segments)</li> <li>✓ Add new dishes with substantial added value (raises sales per customers and the gross margin)</li> <li>✓ Resume opening restaurants</li> </ul>	<ul style="list-style-type: none"> <li>✓ A growth business format for fast-casual restaurants</li> <li>✓ Directly operated and franchised restaurants are both performing well</li> </ul>
Issues	<ul style="list-style-type: none"> <li>✓ Enter new markets to continue increasing the number of restaurants</li> <li>✓ Expand the home delivery business</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enter new markets and revise business formats to continue increasing the number of restaurants</li> <li>✓ Further improve productivity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase the speed of restaurant openings</li> <li>✓ Take on the challenge of creating new business models</li> </ul>



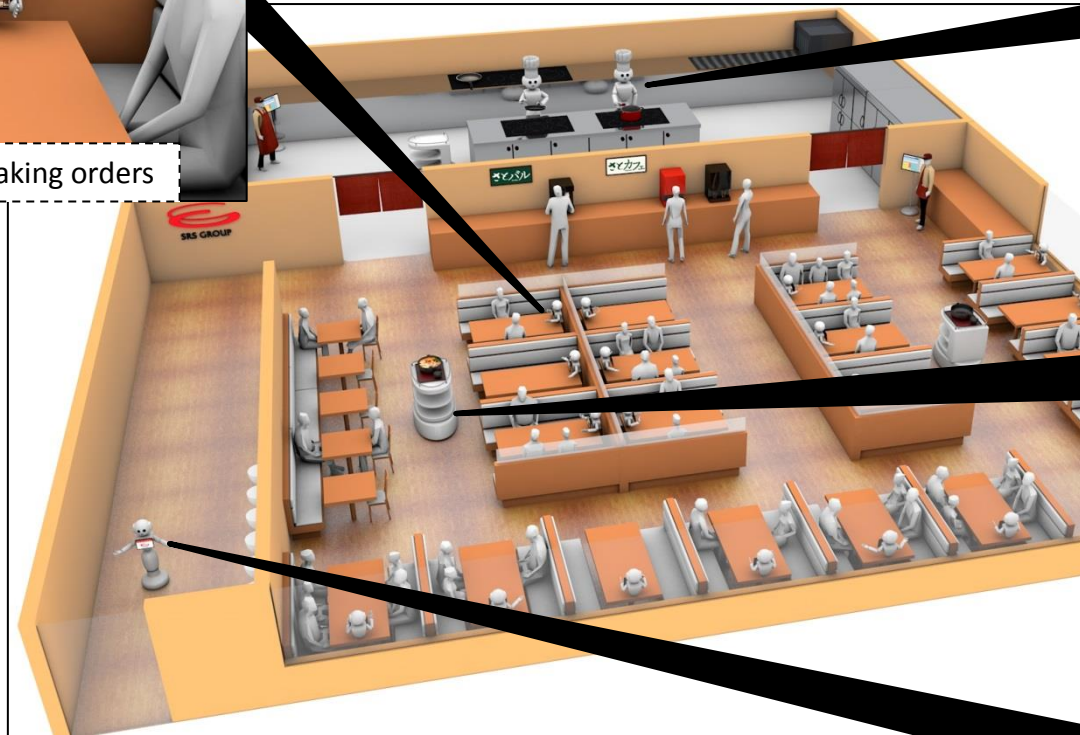
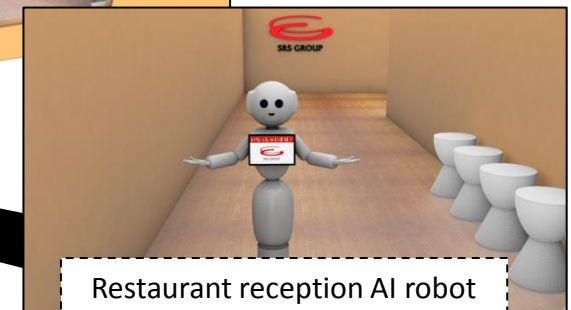
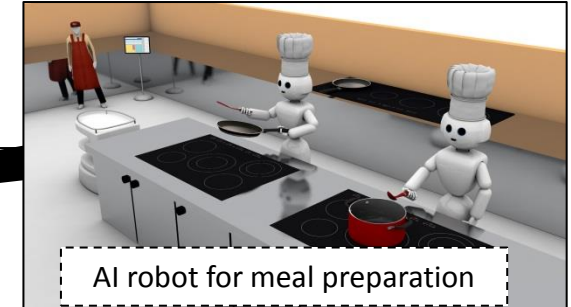
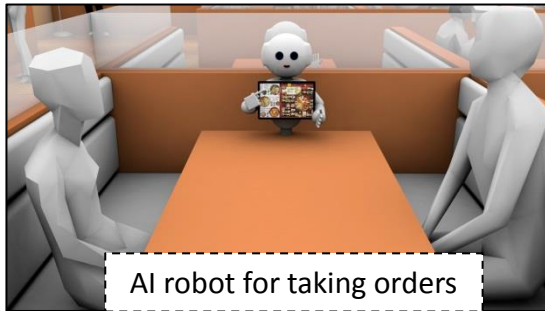
Initiatives during next 5 years	<ul style="list-style-type: none"> <li>● Open restaurants in new areas (the west of Chubu and Kansai)</li> <li>● Continue opening <i>Chojiro</i> restaurants in the Kansai area</li> <li>● Consider ways to expand the home delivery business</li> <li>● Consider a compact conveyor belt sushi format and other new business formats</li> </ul>	<ul style="list-style-type: none"> <li>● Continue opening restaurants in the Kansai area</li> <li>● Resume opening restaurants in Nagoya</li> <li>● Open restaurants in shopping centers and at shopping center food courts</li> <li>● Install next-generation meal ticket machines</li> <li>● Consider a new type of payment unit that replaces meal ticket machines</li> </ul>	<ul style="list-style-type: none"> <li>● Continue opening <i>Katsuya</i> restaurants</li> <li>● Start operations for the new <i>Karayama</i> restaurant format</li> </ul>
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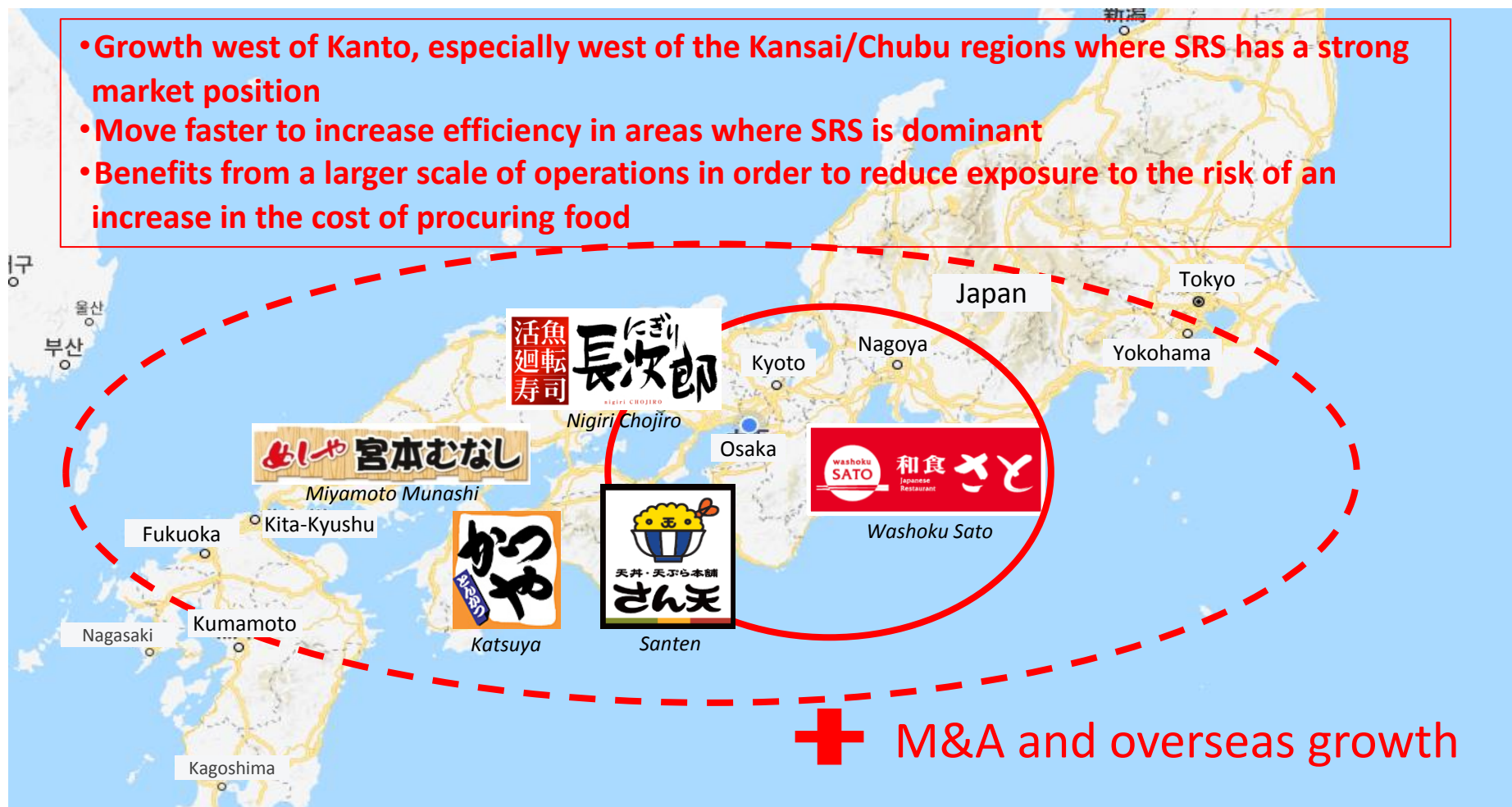
## II. Develop Innovative Operations

Japan's labor shortage will become more severe and the labor costs will continue to climb as the country's working-age population declines.

We will **“develop innovative operations,”** which will be the key to our success in the future, to create innovative ideas for every category of restaurant operations.



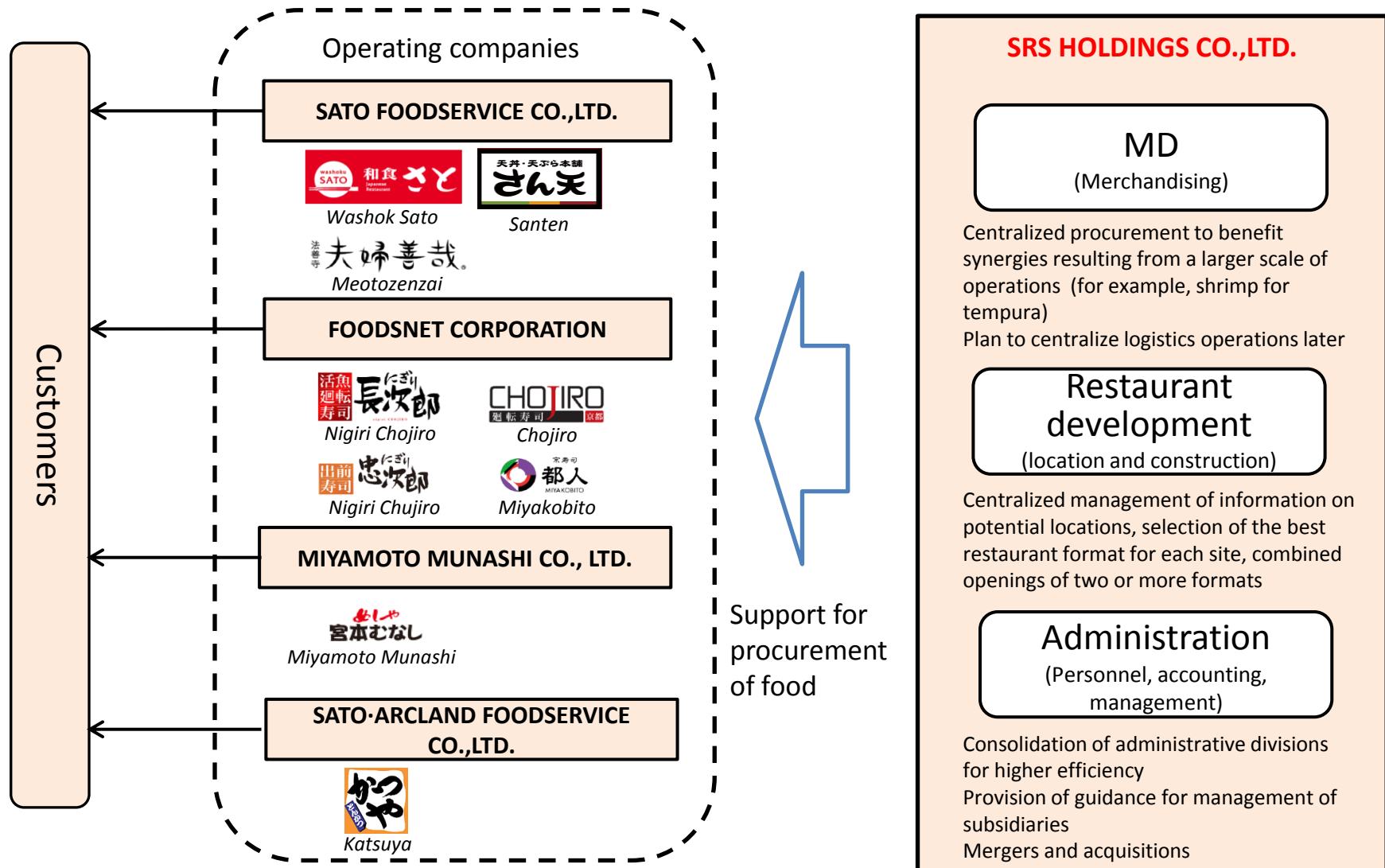
### III. Alliances and M&A



By growing west of Kansai/Chubu, including the use of M&A, the goal is to raise sales to ¥100 billion

# Shift to a Holding Company Structure

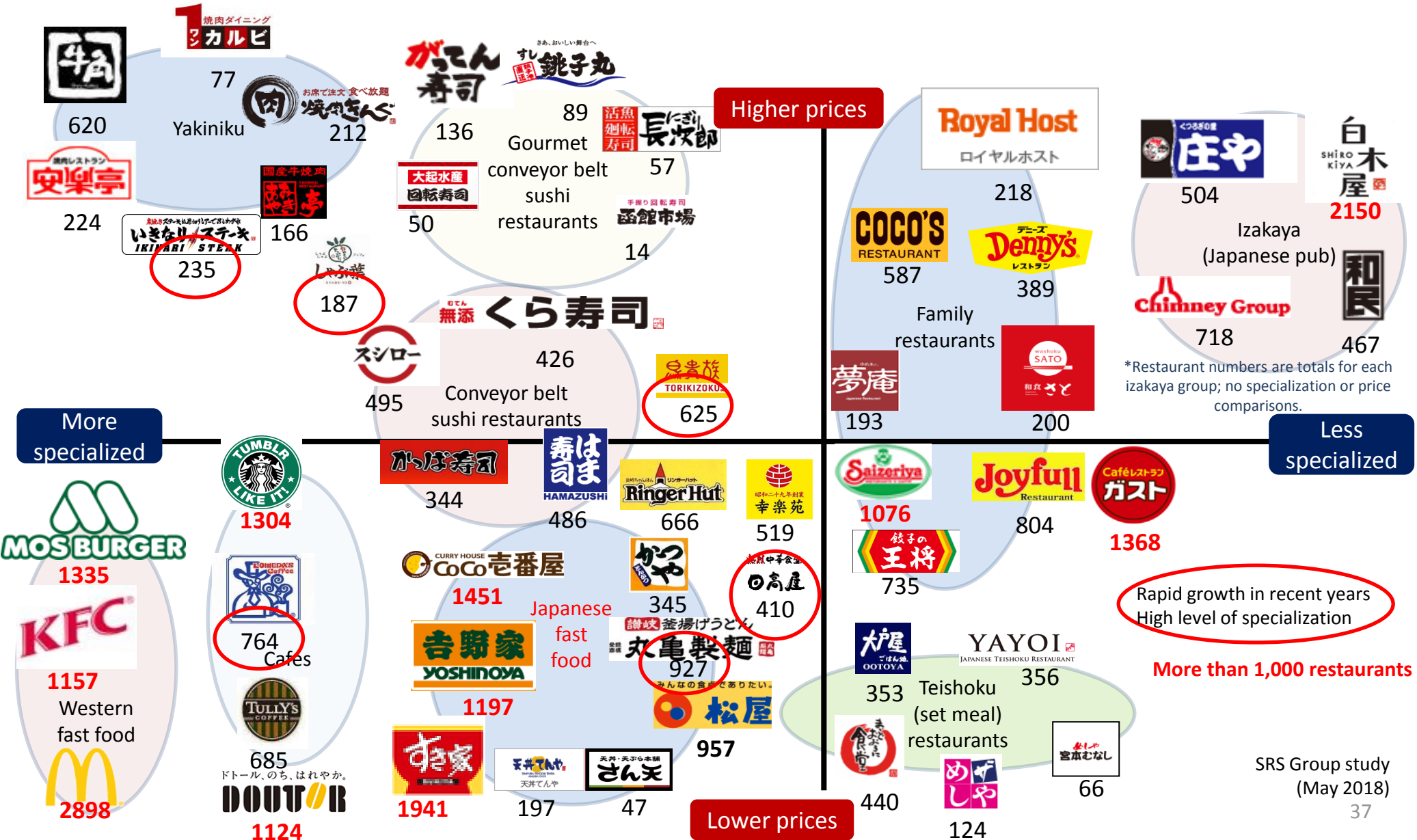
Shifted to a holding company structure in October 2017 for speeding up decision-making



# Appendix



# Major Companies and Size of Chain for Different Formats



# Consolidated Balance Sheet (BS)

(Millions of yen)

	<b>FY3/17</b> <b>(As of Mar. 31, 2017)</b>	<b>FY3/18</b> <b>(As of Mar. 31, 2018)</b>	<b>Change</b>
Current assets	10,906	13,358	<b>+2,451</b>
Non-current assets	20,449	17,303	<b>(3,145)</b>
Current liabilities	7,592	7,648	<b>+55</b>
Non-current liabilities	9,565	8,905	<b>(660)</b>
Net assets	14,284	14,214	<b>(70)</b>
Total assets	31,443	30,768	<b>(674)</b>

# Cash Flow Statement (CF)

(Millions of yen)

	<b>FY3/17</b> <b>(As of Mar. 31, 2017)</b>	<b>FY3/18</b> <b>(As of Mar. 31, 2018)</b>	<b>Change</b>
Cash flows from operating activities	1,637	1,970	+333
Cash flows from investing activities	(4,333)	1,039	+5,372
Cash flows from financing activities	2,697	(984)	(3,682)
Cash and cash equivalents at end of period	8,532	10,732	+2,200



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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.