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Consolidated Financial Results for the First Nine Months of Fiscal Year Ending September 30, 2017 [IFRS]

August 9, 2017

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(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended June 30, 2017 (October 1, 2016 to June 30, 2017)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Pre-tax income		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months ended June 30, 2017	114,846	7.2	6,562	12.0	6,403	38.3	4,338	31.5	4,342	31.4	4,358	31.4
Nine Months Ended June 30, 2016	107,114	—	5,857	—	4,630	—	3,298	—	3,304	—	3,316	—

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine Months ended June 30, 2017	158.12	154.36
Nine Months Ended June 30, 2016	87.01	82.19

Reference: EBITDA: Nine Months ended June 30, 2017: 9,988 million yen (+12.4% year on year)
 Nine Months ended June 30, 2016: 8,885 million yen
 Adjusted EBITDA: Nine Months ended June 30, 2017: 10,020 million yen (+10.0% year on year)
 Nine Months ended June 30, 2016: 9,110 million yen
 Adjusted net income: Nine Months ended June 30, 2017: 4,664 million yen (+28.7% year on year)
 Nine Months ended June 30, 2016: 3,623 million yen

Notes:

(1) The Company uses EBITDA, adjusted EBITDA, and adjusted net income as important management indicators. For more information about each indicator, refer to (2) and (3) under “Explanation of Proper Use of Financial Forecasts, and Other Special Matters.”

(2) The Company conducted a reverse stock split of its common shares at a ratio of one share for every 590 shares on December 22, 2016. The basic net income per share and diluted net income per share were calculated based on the number of issued shares after the stock consolidation on the assumption that the stock consolidation was conducted at the start of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
Nine Months ended June 30, 2017	121,315	29,217	29,268	23.8
Fiscal Year Ended September 30, 2016	122,356	24,858	24,922	20.0

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended September 30, 2016	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal Year Ending September 30, 2017	—	0.00	—		
Fiscal Year Ending September 30, 2017 (forecast)				—	—

Notes:

- (1) Revisions to the most recently announced dividend forecasts: No
- (2) The dividend amount (forecast) for the fiscal year ending September 30, 2017 has yet to be determined.
- (3) The Company conducted a reverse stock split of its common shares at a ratio of one share for every 590 shares on December 22, 2016.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2017 (October 1, 2016 to September 30, 2017)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Pre-tax income		Net income attributable to owners of the parent		Basic net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal Year Ending September 30, 2017	159,692	8.1	8,921	18.8	8,474	80.6	5,886	84.9	214.35

Notes:

- (1) Revisions to the most recently announced earnings forecasts: No
- (2) The Company conducted a reverse stock split of its common shares at a ratio of one share for every 590 shares on December 22, 2016. The basic net income per share in the consolidated earnings forecasts was calculated based on the number of issued shares after the stock consolidation on the assumption that the stock consolidation was conducted at the start of the previous consolidated fiscal year.

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New: —
Excluded: 1: Sushiro USA LLC

Note: For more details, please refer to “(6) Notes on condensed consolidated financial statements (Changes in significant subsidiaries during the period)” under “2. Condensed Quarterly Consolidated Financial Statements and Important Notes” on page 9 of the attached materials.

- (2) Changes in accounting policies, changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policy other than 1): None
- 3) Changes in accounting estimates: None

- (3) Total number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)	Nine Months ended June 30, 2017	27,458,920 shares	Fiscal Year Ended September 30, 2016	69,831,801 shares
b. Treasury shares at the end of the period	Nine Months ended June 30, 2017	62 shares	Fiscal Year Ended September 30, 2016	42,372,881 shares
c. Average number of shares during the period (cumulative from the start of the fiscal year)	Nine Months ended June 30, 2017	27,458,902 shares	Nine Months ended June 30, 2016	37,974,817 shares

Note: The Company conducted a reverse stock split of its common shares at a ratio of one share for every 590 shares on December 22, 2016. The total number of issued shares (common shares) was calculated on the assumption that the stock consolidation was conducted at the start of the previous consolidated fiscal year.

- * These financial results are outside the scope of quarterly review procedures.

* Explanation of Proper Use of Financial Forecasts, and Other Special Matters

(1) Consolidated earnings forecasts

The earnings forecasts and other forward-looking statements presented in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. They do not constitute guarantees by the Company of future performance. Furthermore, actual results and performance may differ materially from these forecasts due to various factors. For more details on the earnings forecasts, please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative Information on the Financial Results for the Period Under Review” on page 3 of the attached materials.

(2) The Company calculates EBITDA, adjusted EBITDA and adjusted net income using the formulas below.

EBITDA = Operating profit + Other expenses – Other revenues + Depreciation and amortization + Amortization of long-term prepaid expenses + Amortization of long-term prepaid expenses (lease and guarantee deposits)

Adjusted EBITDA = EBITDA + Management advisory fees based on management advisory agreement (Note) + Profits/losses related to Sushiro U.S. Holdings Inc.

Adjusted net income = Net income + Management advisory fees based on management advisory agreement (Note) + Listing-related costs + Profits/losses related to Sushiro U.S. Holdings Inc. + Tax effect adjustments under adjustment items

Note: This refers to fees based on a consulting agreement with Consumer Equity Investments Limited.

(3) EBITDA, adjusted EBITDA and adjusted net income are financial metrics that are not measures of performance under International Financial Reporting Standards (IFRS), but the Company regards these as useful indicators for investor valuation of Sushiro Group results. These financial indicators exclude impact from non-recurring expense items (items deemed not to reflect ordinary operating activities, or items that do not appropriately reflect the earnings of the Sushiro Group relative to competitors) such as non-cash expense items, management advisory fees based on management advisory agreement, listing-related costs that should not recur after listing, and profits/losses related to Sushiro U.S. Holdings Inc., which closed its entire store network.

Note that EBITDA, adjusted EBITDA and adjusted net income exclude some items that affect net income and therefore have substantial limitations as analysis tools. Accordingly, they should not be regarded as replacements for other indicators that are presented in accordance with IFRS. EBITDA, adjusted EBITDA and adjusted net income at the Sushiro Group are calculated differently from the same or similar metrics used at other sector companies. Consequently, they may not be suitable for comparison with other companies, and therefore have reduced utility.

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1. Qualitative Information on Financial Results for the Period Under Review

(1) Explanation of operating results

During the first nine months of the consolidated fiscal year ending September 30, 2017, the Japanese economy was on a steady recovery path as evidenced by signs of improvement in corporate earnings, the income environment, and employment conditions, supported by effects of various policies implemented by the government and the Bank of Japan (BOJ). However, the outlook remains clouded by impact from economic policy of the new administration in the US, the UK's looming departure from the EU, and economic trends in China and other Asian emerging markets, as well as other factors.

Despite a gradual pickup in consumer spending, the restaurant sector continued to face a challenging management environment distinguished by deep-rooted cost consciousness among consumers, a decline in the working population and surging labor costs accompanying demographic trends (falling birthrate and societal aging), and intensifying competition to capture customers across various restaurant segments and formats.

Under such circumstances, the Sushiro Group worked to enhance product development, in-store food preparation, and health and safety initiatives and services guided by our motto "Tasty sushi for all. Tasty sushi for the heart." and the desire to surprise and move our customers with delicious sushi.

In terms of store development, we opened 27 stores and closed 3 (domestic: 1, overseas: 2), bringing the total number of stores to 474 (domestic: 466, overseas: 8) at the end of the first nine months of the consolidated fiscal year ending September 30, 2017.

As a result, net sales for the first nine months of the current consolidated fiscal year totaled 114,846 million yen (+7.2% year on year), operating profit 6,562 million yen (+12.0% year on year), pre-tax income 6,403 million yen (+38.3% year on year), and net income attributable to owners of the parent 4,342 million yen (+31.4% year on year).

In addition, EBITDA came to 9,988 million yen (+12.4% year on year), adjusted EBITDA to 10,020 million yen (+10.0% year on year), and adjusted net income to 4,664 million yen (+28.7% year on year).

- Notes: 1. EBITDA = Operating profit + Other expenses – Other revenues + Depreciation and amortization + Amortization of long-term prepaid expenses + Amortization of long-term prepaid expenses (lease and guarantee deposits)
2. Adjusted EBITDA = EBITDA + Management advisory fees based on management advisory agreement + Profits/losses related to Sushiro U.S. Holdings Inc.
3. Adjusted net income = Net income + Management advisory fees based on management advisory agreement + Listing-related costs + Profits/losses related to Sushiro U.S. Holdings Inc. + Tax effect adjustments under adjustment items
4. Management advisory fees based on management advisory agreement refers to fees based on a consulting agreement with Consumer Equity Investments Limited.

(2) Explanation of financial position

1) Assets, liabilities and equity

(Assets)

The balance of total assets declined 1,040 million yen from the end of the previous consolidated fiscal year to 121,315 million yen.

The balance of current assets declined 2,955 million yen from the end of the previous consolidated fiscal year to 8,179 million yen. This mainly reflected a 3,046 million yen drop in cash and cash equivalents.

The balance of non-current assets increased 1,915 million yen from the end of the previous consolidated fiscal year to 113,136 million yen. This was mainly attributable to an increase of 1,642 million yen in tangible fixed assets resulting from new store openings and other factors.

(Liabilities)

Total liabilities declined 5,400 million yen from the end of the previous consolidated fiscal year to 92,098 million yen.

The balance of current liabilities fell 2,284 million yen from the end of the previous consolidated fiscal year to 24,411 million yen. This mainly reflected factors such as an increase of 292 million yen in corporate income tax payable, and declines of 1,852 million yen in trade payables and other liabilities, 425 million yen in reserves, 381 million yen in other current liabilities, and 246 million yen in loans.

The balance of non-current liabilities declined 3,116 million yen from the end of the previous consolidated

fiscal year to 67,687 million yen. This was mainly attributable to a 3,103 million yen drop in loans.
(Equity)

Total equity increased 4,359 million yen from the end of the previous consolidated fiscal year to 29,217 million yen. This was mainly the result of booking 4,338 million yen in net income.

2) Cash flows

Cash and cash equivalents (hereinafter "Cash") in the first nine months of the consolidated fiscal year ending September 30, 2017 declined 3,046 million yen from the end of the previous consolidated fiscal year to 5,103 million yen.

Cash flows and factors affecting cash flows in the first nine months of the current consolidated fiscal year are outlined below.

(Cash flows from operating activities)

Cash provided by operating activities totaled 5,472 million yen (-42.8% year on year).

This mainly reflected the booking of pre-tax income of 6,403 million yen and depreciation and amortization of 2,866 million yen, as well as a decline of 1,670 million yen in trade payables and other liabilities, interest paid of 200 million yen and corporate income tax paid of 1,773 million yen.

(Cash flows from investing activities)

Cash used in investing activities came to 4,261 million yen (+24.0% year on year).

This was mainly attributable to 3,476 million yen in spending related to the acquisition of tangible fixed assets accompanying store openings and other factors.

(Cash flows from financing activities)

Cash used in financing activities amounted to 4,268 million yen (+6.5% year on year).

This mainly reflected 3,461 million yen in spending related to repayments of long-term loans.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The consolidated earnings forecasts presented in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual earnings and performance may differ materially from these forecasts due to various factors such as economic trends.

2. Condensed Quarterly Consolidated Financial Statements and Important Notes

(1) Condensed consolidated statement of financial position

(Unit: million yen)

	Fiscal Year Ended September 30, 2016	Nine Months Ended June 30, 2017 (From October 1, 2016 to June 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	8,149	5,103
Trade and other receivables	909	835
Inventories	1,098	1,206
Other financial assets	229	233
Other current assets	750	802
Total current assets	11,134	8,179
Non-current assets		
Property, plant and equipment	19,262	20,903
Goodwill	30,371	30,371
Intangible assets	54,558	54,557
Lease and guarantee deposits	6,453	6,789
Other financial assets	73	43
Other non-current assets	505	474
Total non-current assets	111,222	113,136
Total assets	122,356	121,315
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	16,849	14,997
Loans	4,355	4,109
Corporate income tax payable	839	1,131
Other financial liabilities	1,334	1,662
Provision	1,600	1,175
Other current liabilities	1,718	1,337
Total current liabilities	26,695	24,411
Non-current liabilities		
Loans	48,861	45,758
Other financial liabilities	2,712	2,643
Provision	1,197	1,263
Deferred tax liabilities	17,950	17,960
Other non-current liabilities	84	62
Total non-current liabilities	70,803	67,687
Total liabilities	97,498	92,098
Equity		
Capital stock	100	100
Capital surplus	42,103	13,573
Retained earnings	7,282	15,116
Treasury shares	(25,028)	(0)
Other capital components	465	479
Total equity attributable to owners of the parent	24,922	29,268
Non-controlling interests	(64)	(51)
Total equity	24,858	29,217
Total liabilities and equity	122,356	121,315

(2) Condensed consolidated income statement

(Unit: million yen)

	Nine Months Ended June 30, 2016 (From October 1, 2015 to June 30, 2016)	Nine Months Ended June 30, 2017 (From October 1, 2016 to June 30, 2017)
Net sales	107,114	114,846
Cost of sales	(52,230)	(55,511)
Gross profit	54,884	59,335
Selling, general and administrative expenses	(48,725)	(52,265)
Other revenues	29	35
Other expenses	(332)	(544)
Operating profit	5,857	6,562
Financial revenues	70	176
Financial expenses	(1,297)	(335)
Pre-tax income	4,630	6,403
Corporate income tax expenses	(1,332)	(2,065)
Net income	<u>3,298</u>	<u>4,338</u>
Net income attributable to:		
Owners of the parent	3,304	4,342
Non-controlling interests	(6)	(4)
Net income	<u>3,298</u>	<u>4,338</u>
Net income per share		
Basic net income per share (yen)	87.01	158.12
Diluted net income per share (yen)	82.19	154.36

(3) Condensed consolidated comprehensive income statement

(Unit: million yen)

	Nine Months Ended June 30, 2016 (From October 1, 2015 to June 30, 2016)	Nine Months Ended June 30, 2017 (From October 1, 2016 to June 30, 2017)
Net income	3,298	4,338
Other comprehensive income		
Items that may be transferred to net income/loss		
Conversion difference for foreign operations	78	(73)
Effective portion of gains/losses on hedging instruments in a cash flow hedge	(60)	92
Total for items that may be transferred to net income/loss	18	20
Other comprehensive income after taxes	18	20
Comprehensive income	3,316	4,358
Comprehensive income attributable to:		
Owners of the parent	3,314	4,366
Non-controlling interests	1	(8)
Comprehensive income	3,316	4,358

(4) Condensed consolidated statement of changes in equity

Nine Months Ended June 30, 2016 (From October 1, 2015 to June 30, 2016)

(Unit: million yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other capital components	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of October 1, 2015	100	42,318	4,105	—	189	46,712	(88)	46,624
Net income			3,304			3,304	(6)	3,298
Other comprehensive income					10	10	7	18
Total comprehensive income	—	—	3,304	—	10	3,314	1	3,316
Share-based payment transactions			5		131	137	8	144
Purchase of treasury shares				(25,028)		(25,028)		(25,028)
Changes in ownership interests in subsidiaries that do not result in a loss of control			(30)			(30)	30	—
Changes from business combinations		(215)				(215)		(215)
Total amount of transactions with owners	—	(215)	(25)	(25,028)	131	(25,137)	38	(25,099)
Balance as of June 30, 2016	100	42,103	7,384	(25,028)	331	24,890	(49)	24,840

Nine Months Ended June 30, 2017 (From October 1, 2016 to June 30, 2017)

(Unit: million yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other capital components	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of October 1, 2016	100	42,103	7,282	(25,028)	465	24,922	(64)	24,858
Net income			4,342			4,342	(4)	4,338
Other comprehensive income					24	24	(4)	20
Total comprehensive income	—	—	4,342	—	24	4,366	(8)	4,358
Deficit disposition		(3,502)	3,502			—		—
Share-based payment transactions			9		(9)	—		—
Purchase of treasury shares				(0)		(0)		(0)
Retirement of treasury shares		(25,028)		25,028		—		—
Changes in ownership interests in subsidiaries that do not result in a loss of control			(20)			(20)	20	—
Other						—	2	2
Total amount of transactions with owners	—	(28,530)	3,492	25,028	(9)	(20)	21	2
Balance as of June 30, 2017	100	13,573	15,116	(0)	479	29,268	(51)	29,217

(5) Condensed consolidated statement of cash flows

(Unit: million yen)

	Nine Months Ended June 30, 2016 (From October 1, 2015 to June 30, 2016)	Nine Months Ended June 30, 2017 (From October 1, 2016 to June 30, 2017)
Cash flows from operating activities		
Pre-tax income	4,630	6,403
Depreciation and amortization	2,663	2,866
Impairment losses	108	95
Financial revenues	(70)	(182)
Financial expenses	1,298	335
Rent offset amount for lease and guarantee deposits	197	211
Decrease (increase) in trade and other receivables	(5)	148
Decrease (increase) in inventories	(120)	(106)
Increase (decrease) in trade and other payables	3,438	(1,670)
Other	(210)	(656)
Subtotal	11,928	7,444
Interest and dividend income received	3	0
Interest paid	(807)	(200)
Corporate income tax paid	(1,992)	(1,773)
Corporate income tax refund	438	—
Cash flows from operating activities	9,570	5,472
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,208)	(3,476)
Purchase of intangible assets	(207)	(267)
Payments for lease and guarantee deposits	(718)	(587)
Purchase of shares of subsidiaries and associates	(354)	—
Other	53	69
Cash flows from investing activities	(3,435)	(4,261)
Cash flows from financing activities		
Proceeds from long-term loans payable	25,000	—
Repayments of long-term loans payable	(3,126)	(3,461)
Repayments of lease obligations	(711)	(785)
Commission fee payments	(153)	(33)
Purchase of treasury shares	(25,037)	(0)
Other	19	11
Cash flows from financing activities	(4,007)	(4,268)
Increase (decrease) in cash and cash equivalents	2,128	(3,057)
Cash and cash equivalents balance at the beginning of the fiscal year	3,394	8,149
Effect of exchange rate change on cash and cash equivalents	(25)	12
Balance of cash and cash equivalents at the end of first nine months of the fiscal year	5,497	5,103

(6) Notes on condensed consolidated financial statements

(Notes regarding assumption of a going concern)

Not applicable.

(Changes in significant subsidiaries during the period)

As liquidation proceedings for Sushiro USA LLC were completed in the first nine months of the current consolidated fiscal year, the company was excluded from the scope of consolidation.

(Segment information)

Segment-specific revenue, income/loss and other items are omitted as the Sushiro Group operates in a single segment.

(Net income per share)

	Nine Months Ended June 30, 2016 (From October 1, 2015 to June 30, 2016)	Nine Months Ended June 30, 2017 (From October 1, 2016 to June 30, 2017)
Net income attributable to ordinary shareholders of the parent (million yen)	3,304	4,342
Net income attributable to ordinary shareholders used in calculations for basic net income per share (million yen)	3,304	4,342
Net income attributable to ordinary shareholders used in calculations for diluted net income per share (million yen)	3,304	4,342
Average number of shares during the period	37,974,817	27,458,902
Increase in number of ordinary shares used in calculation for diluted net income per share	2,227,426	668,717
Average number of ordinary shares during the period after dilution	40,202,243	28,127,618
Basic net income per share (yen)	87.01	158.12
Diluted net income per share (yen)	82.19	154.36
Outline of potentially dilutive shares excluded from the calculation of diluted net income per share due to the absence of dilutive effects	One type of subscription rights to shares (133,000 ordinary shares).	Four types of subscription rights to shares (516,000 ordinary shares).

(Note) The Company conducted a reverse stock split of its common shares at a ratio of one share for every 590 shares on December 22, 2016. The basic net income per share and diluted net income per share were calculated based on the number of issued shares after the stock consolidation on the assumption that the stock consolidation was conducted at the start of the previous consolidated fiscal year.

(Important subsequent events)

Not applicable.