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Consolidated Financial Results for the 1st Quarter Ended December 31, 2017 [IFRS]

February 8, 2018

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 Scheduled filing date to file Quarterly Securities Report February 9, 2018 Scheduled date to commence dividend payment —
 Supplementary briefing materials on quarterly financial results prepared: No
 Quarterly financial results presentation meeting held: No

(Amounts of less than one million yen are rounded off to the million)

1. Consolidated Financial Results for the 1st quarter Ended December 31, 2017 (October 1, 2017 to December 31, 2017)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st quarter Ended December 31, 2017	41,644	8.4	2,748	28.4	2,774	31.3	1,942	32.5	1,943	32.4	1,872	23.9
1st quarter Ended December 31, 2016	38,408	8.3	2,140	4.4	2,113	17.7	1,466	23.0	1,467	22.9	1,510	29.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1st quarter Ended December 31, 2017	68.43	67.50
1st quarter Ended December 31, 2016	53.44	52.28

Reference: Adjusted profit for the period: 1st quarter ended December 31, 2017: 1,975 million yen (+29.8% year on year)
 1st quarter ended December 31, 2016: 1,521 million yen

Notes:

- (1) The Company uses adjusted profit for the period as an important management indicator. For more information about this 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 earnings per share and diluted earnings 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	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
1st quarter Ended December 31, 2017	128,161	35,721	35,721	27.7
Fiscal Year Ended September 30, 2017	125,562	31,800	31,853	25.0

2. Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
Fiscal Year Ended September 30, 2017	Yen —	Yen 0.00	Yen —	Yen 45.00	Yen 45.00
Fiscal Year Ending September 30, 2018	—				
Fiscal Year Ending September 30, 2018 (forecast)		0.00	—	85.00	85.00

Notes:

(1) Revisions to the most recently announced dividend 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.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2018 (October 1, 2017 to September 30, 2018)

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Basic earnings per share Yen
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
Fiscal Year Ending September 30, 2018	169,361	8.3	9,939	8.0	9,592	6.6	6,620	(4.7)	6,620	(4.8)	229.41

Note: Revisions to the most recently announced earnings forecasts: No

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: –

Excluded: –

- (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)	1st quarter Ended December 31, 2017	29,012,496 shares	Fiscal year Ended September 30, 2017	27,458,920 shares
b. Number of treasury shares at the end of the period	1st quarter Ended December 31, 2017	62 shares	Fiscal year Ended September 30, 2017	62 shares
c. Average number of shares during the period (cumulative from the start of the fiscal year)	1st quarter Ended December 31, 2017	28,387,626 shares	1st quarter Ended December 31, 2017	27,458,920 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. In addition, for more details on earnings forecasts, please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative Information on Financial Results for the Period Under Review” on page 3 of the attached materials.

- (2) The Company calculates adjusted profit for the period using the formula below.

Adjusted profit for the period = Profit for the period + Management advisory fees based on management advisory agreement (Note) + Listing-related costs + Expenses related to management integration + Profits/losses related to Sushiro U.S. Holdings Inc. + Tax effect adjustments, etc.

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

- (3) Adjusted profit for the period is a financial metric that is not a measure of performance under International Financial Reporting Standards (IFRS), but the Company regards it as a useful indicator for investor valuation of Sushiro Group results. This financial indicator excludes 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 management advisory fees based on the management advisory agreement, listing-related costs that should not recur after listing, expenses related to a management integration under discussion with Genki Sushi Co., Ltd., and profits/losses related to Sushiro U.S. Holdings Inc. (which closed its entire store network).

Note that adjusted profit for the period excludes some items that affect profit for the period and therefore has substantial limitations as an analysis tool. Accordingly, it should not be regarded as a replacement for other indicators that are presented in accordance with IFRS. Adjusted profit for the period at the Sushiro Group is calculated differently from the same or similar metrics used at other sector companies. Consequently, it 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 1st quarter of the consolidated fiscal year ending September 30, 2018, the Japanese economy was on a gradual recovery path as evidenced by improvement in corporate earnings and the income environment. However, the economic outlook remains clouded by trends led by the US administration, conditions surrounding North Korea, and other factors.

Despite a recovery trend in consumer spending, the restaurant sector continued to face a challenging management environment distinguished by worker shortages, higher labor costs, surging raw materials prices, 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, the group opened 8 new stores, bringing the total number of stores to 492 (domestic: 485, overseas: 7) at the end of the 1st quarter of the consolidated fiscal year ending September 30, 2018.

As a result, revenue for the 1st quarter of the current consolidated fiscal year totaled 41,644 million yen (+8.4% year on year), operating profit 2,748 million yen (+28.4% year on year), profit before income taxes 2,774 million yen (+31.3% year on year), and profit for the period attributable to owners of the parent 1,943 million yen (+32.4% year on year).

In addition, adjusted profit for the period came to 1,975 million yen (+29.8% year on year).

- Notes:
1. Adjusted profit for the period = Profit for the period + Management advisory fees based on management advisory agreement + Listing-related costs + Expenses related to management integration + Profits/losses related to Sushiro U.S. Holdings Inc. + Tax effect adjustments, etc.
 2. 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 increased 2,599 million yen from the end of the previous consolidated fiscal year to 128,161 million yen.

The balance of current assets increased 1,989 million yen from the end of the previous consolidated fiscal year to 13,964 million yen. This was mainly attributable to a 1,150 million yen increase in cash and cash equivalents.

The balance of non-current assets increased 610 million yen from the end of the previous consolidated fiscal year to 114,197 million yen. This mainly reflected a 392 million yen increase in property, plant and equipment resulting from new store openings, and a 142 million yen increase in lease and guarantee deposits.

(Liabilities)

Total liabilities decreased 1,322 million yen from the end of the previous consolidated fiscal year to 92,440 million yen.

The balance of current liabilities increased 33 million yen from the end of the previous consolidated fiscal year to 27,756 million yen. This mainly reflected a 1,439 million yen increase in trade and other payables, alongside a 1,203 million yen decrease in income taxes payable and a 241 million yen decrease in provisions.

The balance of non-current liabilities decreased 1,356 million yen from the end of the previous consolidated fiscal year to 64,684 million yen. This was mainly attributable to a 1,012 million yen decrease in borrowings.

(Equity)

Total equity increased 3,922 million yen from the end of the previous consolidated fiscal year to 35,721 million yen. This mainly reflected a 3,526 million yen increase in capital surplus from the exercise of subscription rights to shares and capital reduction, a corresponding 1,236 million yen decrease from cash dividends paid, and the booking of 1,942 million yen in profit for the period.

2) Cash flows

During the 1st quarter of the consolidated fiscal year ending September 30, 2018, cash and cash equivalents (hereinafter "Cash") increased 1,150 million yen from the end of the previous consolidated fiscal year to 9,688

million yen.

The breakdown of cash flows by activities and underlying factors for the 1st quarter of the current consolidated fiscal year is shown below.

(Cash flows from operating activities)

Cash provided by operating activities totaled 2,161 million yen (+9.4% year on year).

This mainly reflected the booking of 2,774 million yen in profit before income taxes and 1,050 million yen in depreciation and amortization, and an increase of 1,570 million yen in trade and other payables, alongside an increase of 298 million yen in trade and other receivables, an increase of 422 million yen in inventories, 46 million yen in interest paid, and 2,031 million yen in income taxes paid.

(Cash flows from investing activities)

Cash used in investing activities came to 1,639 million yen (+8.4% year on year).

This was mainly attributable to 1,322 million yen in purchase of property, plant and equipment accompanying store openings, and to 214 million yen in payments for lease and guarantee deposits.

(Cash flows from financing activities)

Cash provided by financing activities amounted to 626 million yen (versus outflow of 1,653 million yen in the 1st quarter of the previous fiscal year). This mainly reflected 3,287 million yen in proceeds from exercise of subscription rights to shares, 1,042 million yen in repayments of long-term borrowings, and 1,113 million yen in cash dividends paid.

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

There are no changes to the consolidated earnings forecasts announced on November 9, 2017. Furthermore, 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

(in millions, JPY)

	Fiscal Year Ended September 30, 2017	1st quarter Ended December 31, 2017 (From October 1, 2017 to December 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	8,538	9,688
Trade and other receivables	1,214	1,517
Inventories	1,174	1,595
Other financial assets	241	315
Other current assets	807	848
Total current assets	11,975	13,964
Non-current assets		
Property, plant and equipment	21,169	21,561
Goodwill	30,371	30,371
Intangible assets	54,550	54,559
Lease and guarantee deposits	6,969	7,111
Other financial assets	51	101
Other non-current assets	476	494
Total non-current assets	113,587	114,197
Total assets	125,562	128,161
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	16,719	18,158
Borrowings	4,114	4,118
Income taxes payable	2,028	825
Other financial liabilities	1,763	1,776
Provisions	1,179	938
Other current liabilities	1,920	1,941
Total current liabilities	27,722	27,756
Non-current liabilities		
Trade and other payables	—	39
Borrowings	44,747	43,735
Other financial liabilities	2,489	2,166
Provisions	1,646	1,601
Deferred tax liabilities	17,104	17,104
Other non-current liabilities	54	38
Total non-current liabilities	66,040	64,684
Total liabilities	93,762	92,440
Equity		
Capital stock	100	100
Capital surplus	13,573	15,863
Retained earnings	17,730	19,615
Treasury stock	(0)	(0)
Other components of equity	450	144
Total equity attributable to owners of the parent	31,853	35,721
Non-controlling interests	(53)	—
Total equity	31,800	35,721
Total liabilities and equity	125,562	128,161

(2) Condensed consolidated statement of profit and loss

(in millions, JPY)

	1st quarter Ended December 31, 2016 (From October 1, 2016 to December 31, 2016)	1st quarter Ended December 31, 2017 (From October 1, 2017 to December 31, 2017)
Revenue	38,408	41,644
Cost of sales	(18,786)	(20,362)
Gross profit	19,622	21,281
Selling, general and administrative expenses	(17,444)	(18,456)
Other income	11	12
Other expenses	(50)	(89)
Operating profit	2,140	2,748
Finance income	92	120
Finance expenses	(119)	(93)
Profit before income taxes	2,113	2,774
Income taxes	(647)	(833)
Profit for the period	1,466	1,942
Profit attributable to:		
Owners of the parent	1,467	1,943
Non-controlling interests	(2)	(1)
Profit for the period	1,466	1,942
Earnings per share		
Basic earnings per share (yen)	53.44	68.43
Diluted earnings per share (yen)	52.28	67.50

(3) Condensed consolidated statement of comprehensive income

(in millions, JPY)

	1st quarter Ended December 31, 2016 (From October 1, 2016 to December 31, 2016)	1st quarter Ended December 31, 2017 (From October 1, 2017 to December 31, 2017)
Profit for the period	1,466	1,942
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(60)	(67)
Effective portion of changes in fair value of cash flow hedges	104	(3)
Total of items that may be reclassified subsequently to profit or loss	45	(70)
Other comprehensive income after taxes	45	(70)
Total comprehensive income for the period	<u>1,510</u>	<u>1,872</u>
Attributable to:		
Owners of the parent	1,516	1,877
Non-controlling interests	(5)	(5)
Total comprehensive income for the period	<u>1,510</u>	<u>1,872</u>

(4) Condensed consolidated statement of changes in equity

1st quarter ended December 31, 2016 (From October 1, 2016 to December 31, 2016)

(in millions, JPY)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	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
Profit for the period			1,467			1,467	(2)	1,466
Other comprehensive income					48	48	(4)	45
Total comprehensive income	—	—	1,467	—	48	1,516	(5)	1,510
Share-based payment transactions			0		(0)	—		—
Cancellation of treasury stock		(25,028)		25,028		—		—
Others						—	2	2
Total transactions with the owners	—	(25,028)	0	25,028	(0)	—	2	2
Balance as of December 31, 2016	100	17,075	8,750	—	512	26,437	(67)	26,370

1st quarter ended December 31, 2017 (From October 1, 2017 to December 31, 2017)

(in millions, JPY)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of October 1, 2017	100	13,573	17,730	(0)	450	31,853	(53)	31,800
Profit for the period			1,943			1,943	(1)	1,942
Other comprehensive income					(66)	(66)	(4)	(70)
Total comprehensive income	—	—	1,943	—	(66)	1,877	(5)	1,872
Capital reduction	(1,715)	1,715				—		—
Exercise of subscription rights to shares	1,715	1,811			(239)	3,287		3,287
Share-based payment transactions			1		(1)	—		—
Dividends		(1,236)				(1,236)		(1,236)
Changes in ownership interests in subsidiaries that do not result in loss of control			(59)			(59)	58	(2)
Total transactions with the owners	—	2,290	(58)	—	(240)	1,992	58	2,050
Balance as of December 31, 2017	100	15,863	19,615	(0)	144	35,721	—	35,721

(5) Condensed consolidated statement of cash flows

(in millions, JPY)

	1st quarter Ended December 31, 2016 (From October 1, 2016 to December 31, 2016)	1st quarter Ended December 31, 2017 (From October 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit before income taxes	2,113	2,774
Depreciation and amortization	901	1,050
Impairment losses	3	42
Finance income	(98)	(120)
Finance expenses	119	93
Amount of rent offset by lease and guarantee deposits	70	74
Increase/decrease in trade and other receivables, (increase)	(259)	(298)
Increase/decrease in inventories, (increase)	(446)	(422)
Increase/decrease in trade and other payables, (decrease)	767	1,570
Others	(282)	(525)
Subtotal	2,887	4,238
Interest and dividend income received	0	0
Interest paid	(69)	(46)
Income taxes paid	(842)	(2,031)
Net cash from operating activities	1,976	2,161
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,296)	(1,322)
Purchase of intangible assets	(120)	(76)
Payments for lease and guarantee deposits	(105)	(214)
Others	9	(27)
Cash flows from investing activities	(1,512)	(1,639)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,377)	(1,042)
Repayments of lease obligations	(256)	(301)
Payments for commission fees	(30)	(4)
Proceeds from exercise of subscription rights to shares	—	3,287
Cash dividends paid	—	(1,113)
Others	10	(201)
Cash flows from financing activities	(1,653)	626
Net increase/decrease in cash and cash equivalents, (decrease)	(1,189)	1,148
Cash and cash equivalents at beginning of year	8,149	8,538
Effect of exchange rate changes on cash and cash equivalents	11	2
Cash and cash equivalents at end of year	6,971	9,688

(6) Notes on condensed consolidated financial statements

(Notes regarding assumption of a going concern)

Not applicable.

(Segment information)

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

(Earnings per share)

	1st quarter Ended December 31, 2016 (From October 1, 2016 to December 31, 2016)	1st quarter Ended December 31, 2017 (From October 1, 2017 to December 31, 2017)
Profit for the period attributable to common shareholders of the parent (million yen)	1,467	1,943
Profit for the period attributable to common shareholders used in calculations for basic earnings per share (million yen)	1,467	1,943
Profit for the period attributable to common shareholders used in calculations for diluted earnings per share (million yen)	1,467	1,943
Average number of shares during the period	27,458,920	28,387,626
Increase in number of common shares used in calculation for diluted earnings per share	610,193	392,631
Average number of common shares during the period after dilution	28,069,113	28,780,257
Basic earnings per share (yen)	53.44	68.43
Diluted earnings per share (yen)	52.28	67.50
Outline of potentially dilutive shares excluded from the calculation of diluted earnings per share due to the absence of dilutive effects	Four types of subscription rights to shares (516,000 common 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 earnings per share and diluted earnings 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.