

SUSHIRO

GLOBAL HOLDINGS



About SUSHIRO



Bringing Sushi to the People
around the World.



SUSHIRO's Strength, Vision & Strategy

- Being the leading company of *kaiten* sushi industry
- Leveraging the best-in-class procurement capabilities
- In-store food preparation in pursuit of quality taste
- Innovative IT system for operating efficiency



We are SUSHIRO!

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SUSHIRO's Mission

Tasty sushi for all.
Tasty sushi for the heart.

- Dedication to quality taste
- A focus on product freshness
- Promise of value-for-money offer



SUSHIRO's Goals

Offer quality dining experience
to bring joy to people and
to continuously contribute to our society.

We aim at Only One and No.1

Be the No.1 business
with unparalleled focus on quality
and with sustainable profit growth.

Forward-Looking Statements

The future outlook and other forward-looking statements presented in this Report are based on information available to the Company at the time of preparation. They do not constitute guarantees by the Company of future performance. Factors such as economic conditions, market trends in the food industry, shifts in consumer preferences, and fluctuations in the price of raw materials may cause actual operating results, financial position, and other results of the Company to differ materially from those discussed herein.

Organizations and Period Covered

In principle, the information in this Report concerns Sushiro Global Holdings Ltd. and its consolidated subsidiaries (as of September 30, 2017) for the fiscal year ended September 30, 2017. When appropriate, however, information from outside this period is included, as when citing past circumstances and data or using recent examples for illustration purposes.

Sushiro History

○ Revenue
■ Number of Stores

1975



Yoshio Shimizu, the founder, started Taisushi in Abeno Ward, Osaka City.

Master sushi chef Yoshio Shimizu opened Taisushi in Abeno Ward, Osaka City with a vision of delivering tasty sushi at a reasonable price. Based on a spirit of giving back half to his customers, sushi provided at around 50% of the cost of sales ratio. The restaurant subsequently became a hit with locals and became known as "Taisushi the Tasty." This was the starting point of today's Sushiro.

2002

Integrated *Kaiten* Sushi Management System developed at the dawn of the IT revolution.



1996

A 100-yen sushi store opened in Takarazuka City, Hyogo Prefecture. The 1st 100-yen Sushiro opened.



Yoshio Shimizu's Sushiro introduced a 100-yen system for all plates. Previously, sushi had been provided at different prices such as 100 yen, 120 yen and 180 yen. The new, uniform pricing structure proved extremely popular with customers, who flocked to the restaurant. Around the same time, an E-type lane installed to further boost seating capacity. Thanks to the expanded use of the E-type lane, Sushiro enjoyed an era of higher customer turnover.

1984

The 1st store in Toyonaka City, Osaka Prefecture opened. Yoshio Shimizu established Sushitaro Co., Ltd.

Sushi restaurants are typically difficult to enjoy on account of the price. So providing the chance to eat sushi at a reasonable cost quickly made the first *kaiten* sushi store run by Sushitaro, which established by Yoshio Shimizu, extremely popular locally. This Sushitaro store subsequently became the flagship Sushiro restaurant.

1999

A merger took place between Sushitaro Co., Ltd. (Toyonaka City) and Sushitaro Co., Ltd. (Suita City).



Sushitaro Co., Ltd., run by Yoshio Shimizu and Sushitaro Co., Ltd., run by Yutaka Shimizu merged, and became AKINDO SUSHIRO CO., LTD.

1988

Yutaka Shimizu established Sushitaro Co., Ltd. The 1st store in Suita City, Osaka Prefecture opened.

Yutaka Shimizu, the younger brother of the founder Yoshio Shimizu, established a company with the same name, Sushitaro Co., Ltd., and opened his first *kaiten* sushi store. Sushitaro, run by Yutaka Shimizu, would subsequently open stores under the Akindo brand.

2001

The 1st store in Kanto area opened (Katsushika Ward and Fussa City, Tokyo).

2002

The 1st store in Chubu area opened (Nagoya City, Aichi Prefecture).

2003

The Company's shares listed on the Tokyo Stock Exchange Second Section.

2004



The use of a central kitchen discontinued, and in-store food preparation started.

2009

Brand name for all stores standardized as Sushiro. The year 2009 positioned as the first year for branding, with efforts made to strengthen the brand.
The Company's shares delisted from the Tokyo Stock Exchange Second Section.



2011

Business expanded to South Korea.



2010

Sushiro ranked No. 1 in the Food & Dining Category of the Japan Customer Satisfaction Index.

2011

The Company achieved the top sales in the domestic *kaiten* sushi industry.



2015

SUSHIRO GLOBAL HOLDINGS

Sushiro Global Holdings Ltd. established.

2016

The 1st urban-model Sushiro store opened in Tokyo. (Minami Ikebukuro Store).



2015

The 400th Sushiro store opened in Japan (Sapporo Shiraishi Store).

2017

The Company's shares listed on the Tokyo Stock Exchange First Section.
A capital and business alliance agreement signed with Shinmei Co., Ltd. and Genki Sushi Co., Ltd.
Sushiro store opened in the 47th prefecture in Japan (Izumo City, Shimane Prefecture).



(Stores)
500

250

0

(in billions, JPY)
150

100

50

0

1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Number of Domestic Stores

(As of September 30, 2017)

477

stores

Continuous Store Expansion

As of September 30, 2017, we have opened 477 stores throughout Japan. In terms of domestic store development in the fiscal year ended September 30, 2017, we opened 36 new stores and closed 1 store. We continue to enjoy success in opening new stores as part of a plan to open 100 new stores by the fiscal year ending September 30, 2019.



With Izumo Oyama Store opening in Shimane prefecture, our business now covers all 47 prefectures of Japan.



Number of Overseas Stores

(As of September 30, 2017)

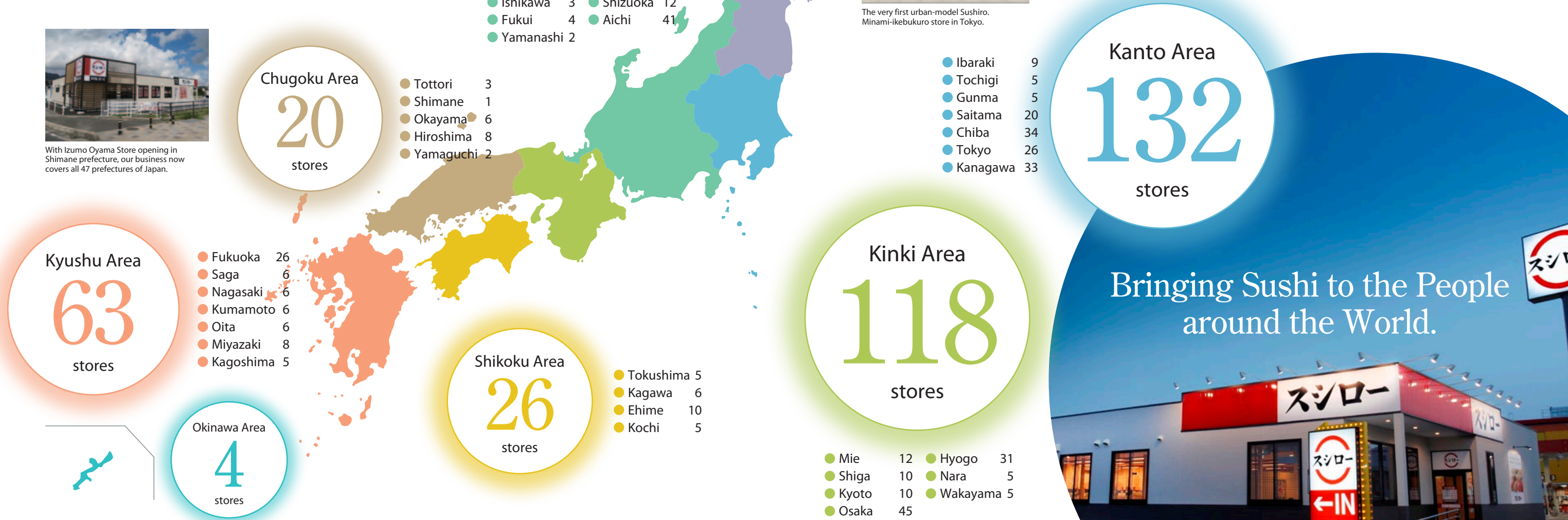
7

stores



Overseas Store Development

In the fiscal year ended September 30, 2017, we opened 2 new stores and closed 3 stores, bringing the total number of overseas stores to 7 at the end of the fiscal year 2017.



The very first urban-model Sushiro. Minami-ikebukuro store in Tokyo.



| | FY 2015/9 (From October 1, 2014 to September 30, 2015) | FY 2016/9 (From October 1, 2015 to September 30, 2016) | FY 2017/9 (From October 1, 2016 to September 30, 2017) |
|--|--|--|--|
| | (in millions, JPY) | | |
| Revenue | 136,174 | 147,702 | 156,402 |
| Operating profit | 6,888 | 7,509 | 9,204 |
| Profit before income taxes | 5,226 | 4,692 | 8,995 |
| Profit attributable to owners of the parent | 3,826 | 3,184 | 6,952 |
| Total comprehensive income for the year attributable to owners of the parent | 3,950 | 3,248 | 6,951 |
| Total equity attributable to owners of the parent | 46,712 | 24,922 | 31,853 |
| Total assets | 116,472 | 122,356 | 125,562 |

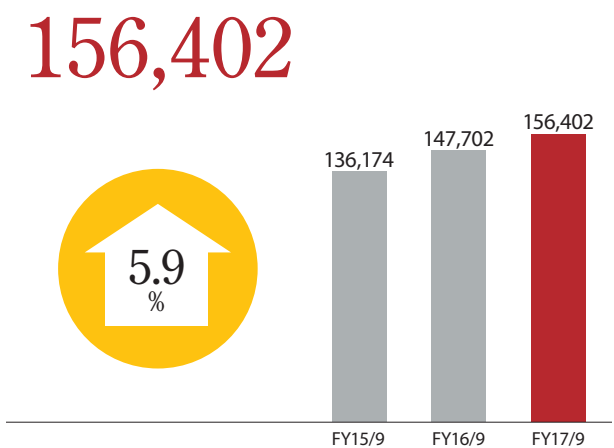
| | (JPY) | | |
|---|--------|--------|-----------------|
| Total equity attributable to owners of the parent (BPS) | 665.99 | 892.43 | 1,145.36 |
| Basic earnings per share (EPS) | 54.79 | 90.11 | 253.16 |
| Diluted earnings per share | 54.29 | 85.86 | 247.09 |
| Return on equity (ROE) (%) | 8.6 | 9.0 | 24.8 |
| Return on assets (ROA) (%) | 3.3 | 2.7 | 5.6 |

| | (in millions, JPY) | | |
|--|--------------------|---------|----------------|
| Cash flows from operating activities | 6,972 | 15,215 | 11,574 |
| Cash flows from investing activities | (4,980) | (4,581) | (5,533) |
| Cash flows from financing activities | (7,812) | (5,854) | (5,663) |
| Cash and cash equivalents at end of year | 3,394 | 8,149 | 8,538 |

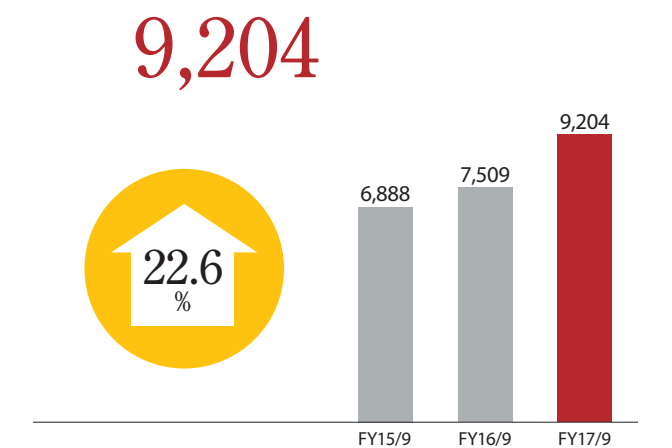
Notes:

- The Company has been preparing its consolidated financial statements based on the International Financial Reporting Standards (IFRS) since the fiscal year ended September 30, 2016. Figures based on the IFRS for the fiscal year ended September 30, 2015 have also been included for reference.
- The Company conducted a reverse stock split of its common shares at a ratio of 1 share for every 590 shares on December 22, 2016. Basic earnings per share, diluted earnings per share, and equity attributable to owners of the parent 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 fiscal year ended September 30, 2015.
Profit is expressed as profit attributable to owners of the parent.
- ROE = Profit attributable to owners of the parent / Average of equity attributable to owners of the parent during the period
- ROA = Profit for the year / Average of total assets during the period

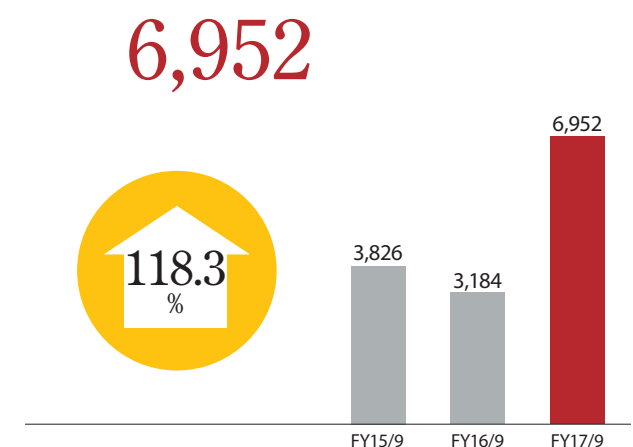
Revenue (in millions, JPY)



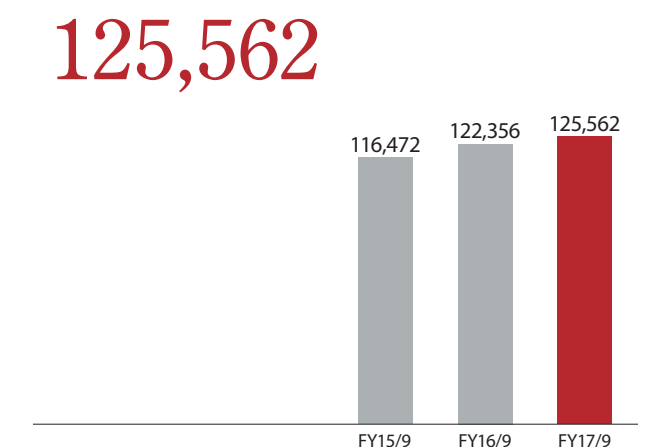
Operating profit (in millions, JPY)



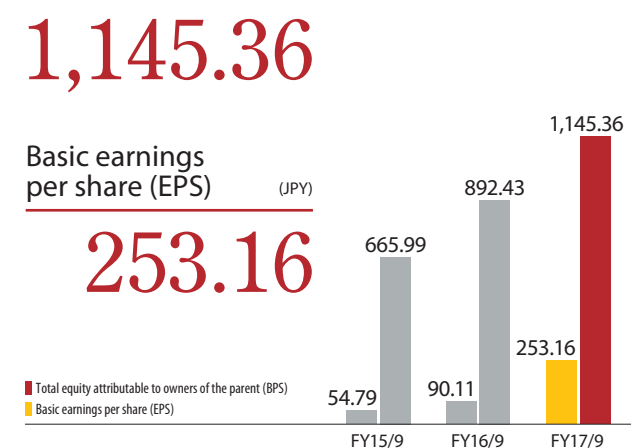
Profit attributable to owners of the parent (in millions, JPY)



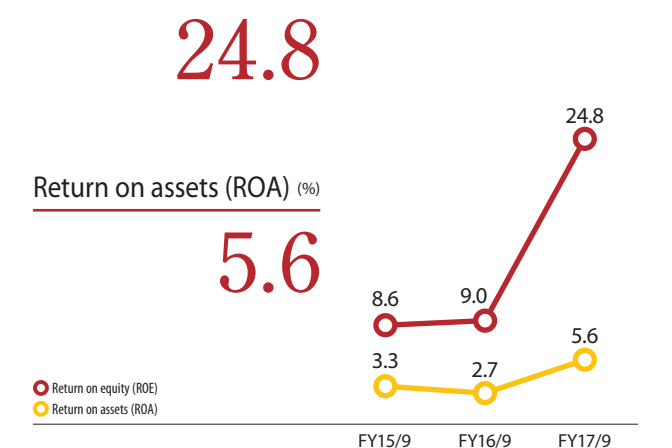
Total assets (in millions, JPY)



Total equity attributable to owners of the parent (BPS) (JPY)



Return on equity (ROE) (%)



Sushiro's Mission

Tasty Sushi for All. Tasty Sushi for the Heart.

Our mission is for each and every customer to savor the tastiest sushi. Astounding our customers with "great taste at great prices."

This was the core concept when Sushiro launched a single stand-up *kaiten* sushi store years ago. It continues to be our defining aim today.

Careful selection of fish. Fastidious freshness management for all ingredients. Sparing no time or effort for in-store preparation. Doing everything possible to serve fresh and tasty sushi.

Ultimate attention and detail to every customer, and to cleanliness. Service from the heart, reaching to every corner of each store.

Filling the stomachs and hearts of our precious customers, with great flavor and fulfillment of sushi. Excelling as store making people happy to have dined at Sushiro.

This, in essence, is our mission at Sushiro. Tasty sushi for all. Tasty sushi for the heart.



Sushiro's Goals

To achieve Sushiro's mission of customer satisfaction through sushi, we must sustain enthusiasm among our fellow employees, while contributing to company profit.

Fulfilling our five promises instills happiness in customers, employees and the Company. These triumphs collectively, support our own personal happiness as well.

Sushiro's Promises

1. Love for sushi. Gratitude to customers and colleagues.
2. Uphold the basics of sushi; Freshness, cleanliness, ingenuity and speed.
3. Fill our stores with "greetings" and "thank yous."
4. Listen intently and perform to perfection.
5. Create stores that generate joy in the community.



Message from the CEO

Please allow me to offer my sincere thanks for the continuous support that you have given to the Sushiro Group.

In March 2017, the Group returned to the Tokyo Stock Exchange and listed on its First Section. Over an 8-year period, we succeeded in boosting our ability to grow as a restaurant group. My focus has been to pursue evolution on a daily basis, which includes bolstering the capabilities of departmental and divisional teams and establishing a framework to steadily enhance sales and profit each fiscal term. I believe these evolutions have now taken shape. We have only been able to do this thanks to the warm support of many people, including our stakeholders, and this is something for which I am truly grateful.

The Sushiro Group's origins lie in the Taisushi restaurant that opened in Abeno Ward, Osaka City in 1975. The Sushiro *kaiten* sushi restaurant business that we founded and continues today was based on a mission to provide "Tasty sushi for all. Tasty sushi for the heart." This concept has been passed down over the years to the entire Group from our earliest days. What customers want from a restaurant group ultimately comes down to a desire to have tasty food at the most reasonable price possible. In particular, sushi, the Group's business, is a simple food when looked at in terms of the story and history of a cuisine, since it consists merely of fish on rice made with

vinegar. That is why, of the components making up sushi, freshness of the fish is paramount, and we believe that more care must be taken than with other foods and ingredients to ensure quality, otherwise the truly delicious flavor is lost.

In addition to developing a new menu that includes creative sushi and a side menu that will always attract customers, we seek to meet customer expectations by enhancing service that is unique to the Group and win high esteem.

The Sushiro Group hopes to create an increasing number of environments and locations that allow people to enjoy delicious sushi as conveniently as possible. We also want to spread these activities overseas, to make sure that the Sushiro sign can be seen in all major cities, and to help as many people as possible feel happiness through food. Our aim is to remain needed by society into the future. The Group's employees will continue to work together toward this goal, and I am truly grateful for the ongoing understanding and support of our stakeholders.

December 2017

Koichi Mizutome
President & CEO
Sushiro Global Holdings Ltd.



Driving the Sushiro's New Chapter - Taking on the Challenge of Next Growth -

We asked President & CEO Koichi Mizutome about the Sushiro Group's position in the *kaiten* sushi industry, as well as his views on the Group's performance, current management conditions, and his vision for the future.

Review on the Overall Management Environment in Japan and Overseas.

The *kaiten* sushi industry has yet to spread to every corner of Japan. Sushiro currently has more than 470 stores, but I believe there is much more potential for opening new stores.

Overseas, the market is tens of times bigger than Japan. There is not yet much competition between rival companies, and I believe there is potential for significant growth in the industry as a whole. In particular, we aim to provide tasty sushi to customers at the stores we operate around the world by leveraging the quality amassed in Japan.

Sushiro is currently in the fortunate position of being the leading company in the Japanese *kaiten* sushi industry. In terms of profit, we have managed to maintain outstanding performance relative to our rivals and have won major acclaim from our customers. Based on our self-assessment, we enjoy a strong corporate structure in industry terms.

Moreover, Sushiro's business model is not simply to boost sales at each store. Instead, we plan to build growth in sales by expanding the number of stores. At the level of the individual store, we maintain absolute values for profits and profit margins through day-to-day management of sales and costs. We do this by implementing concentrated

control from headquarters. Our growth model is to increase sales structurally along with the expansion in overall scale. We often talk to our employees about the importance of evolving always and day by day. We also explain the direction in which the Company is heading and how we plan to get there, and conduct a style of management that consistently prioritizes enhancing transparency in our organization, which includes personnel evaluations. Bolstering communication within the Group is also a constant part of our operations. In October each year, we convene a conference that all store managers attend and hold monthly meetings for managers in charge of departments that control each area.

The *kaiten* sushi industry, including other dining service chains, is forecasted to manifest relatively stable sales going forward, without any major ups and downs. At Sushiro, we believe we can continuously grow profits through solid daily management and guarantee the safety of our food and ingredients at a level that far exceeds our competitors. For this reason, so long as we are not faced with any serious business risk such as an unexpected natural disaster, we are confident that we can continue to maintain a solid position, including in financial terms.

Sushiro's Strength

Sushiro's competitiveness lies in being No. 1 in the industry in procurement capabilities, pursuing delicious sushi by insisting on in-store preparation, and contributing to efficient operation through the use of IT systems. These strengths have grown out of the process of pursuing our

belief in giving the customer the tastiest possible food. For example, we secure supplies of the freshest ingredients, and make sure we prepare sushi moments before it's served. We have spent a long time honing these capabilities.

1 Supplies

Procuring ingredients

- Best-possible quality ingredients
- Purchasing power of the leading company
- Expertise and skills in fish procurement
- Direct trading relationships with suppliers



2 In-store preparation

Right steps and skills for the fresh and tasty

- Well-trained store employees (full-time and part-timer) handles in-store food preparation
- Employees accumulate in-store preparation expertise through a systematic training program and working at Sushiro over a long term



3 IT systems

Efficient store operation for hospitality and customer service

- "Big data" analysis utilizing IC chips embedded in the sushi plates
- Efficient store operation employing IT systems
- Freshly prepared sushi after receiving orders via the touch panel ordering system



Summary of Operating Results for FY 2017

- Store expansion, a Company key growth driver, remained on track toward 100 openings over the course of 3 years.
- Same-store sales had been weak due to a market slowdown since May, but the full-year profit target achieved with a large surplus.

| Medium-Term Growth Strategy | FY 2017 Results | |
|---|---|------------------------|
| 1. Continue store expansion with the original Sushiro model format (30 to 40 stores per year) | 35 ^{new} stores | Revenue growth 5.9% |
| 2. Maintain same-store sales momentum | 98.7% | |
| 3. Improve profit margin by operating leverage | Adjusted profit for the year improved 0.7% | |

(in millions, JPY)

| | FY 2016 | | FY 2017 | | |
|---|---------|--------------|---------|--------------|---------|
| | Actual | % in revenue | Actual | % in revenue | YoY % |
| Revenue | 147,702 | 100.0% | 156,402 | 100.0% | +5.9% |
| Operating profit | 7,509 | 5.1% | 9,204 | 5.9% | +22.6% |
| Profit attributable to owners of the parent | 3,184 | 2.2% | 6,952 | 4.4% | +118.3% |
| Adjusted profit for the year | 4,981 | 3.4% | 6,473 | 4.1% | +30.0% |

Financial Forecasts and Growth Strategy for FY 2018

Sushiro opened its first urban-model format stores as part of efforts of continuous store expansion, a key challenge under the current medium-term management plan, with Minami Ikebukuro Store (September 2016) and Gotanda Store (May 2017) in Tokyo. Both stores have been very well received, and outperforming other original-model stores

because of the newly-introduced price point of 120 yen per plate. We plan to accelerate the opening of new stores using the same format. Our target is to open approximately 800 stores throughout Japan, including some 34 to 35 new stores each year using the original store format.

(in millions, JPY)

| | FY 2017 | | | FY 2018 (forecast) | | | |
|---|---------|--------------|---------|--------------------|--------------|-------|--------------|
| | Actual | % in revenue | YoY % | Company forecast | % in revenue | YoY % | CAGR FY16-18 |
| Revenue | 156,402 | 100.0% | +5.9% | 169,361 | 100.0% | +8.3% | 7.1% |
| Operating profit | 9,204 | 5.9% | +22.6% | 9,939 | 5.9% | +8.0% | 15.1% |
| Profit attributable to owners of the parent | 6,952 | 4.4% | +118.3% | 6,620 | 3.9% | -4.8% | 44.2% |
| Adjusted profit for the year | 6,473 | 4.1% | +30.0% | 6,620 | 3.9% | +2.3% | 15.3% |

The Company forecasts revenue for the fiscal year ending September 30, 2018 of 169,361 million yen (up 8.3% year on year), operating profit of 9,939 million yen (up 8.0%), and profit attributable to owners of the parent of 6,620 million yen (down 4.8%).

The forecast for a 4.8% year-on-year decline in profit attributable to owners of the parent is mainly attributable to the impact of a temporary increase of 790 million yen in tax effect adjustments in the fiscal year ended September 30, 2017, but the Company forecasts a profit increase in real terms.

In addition, as part of our growth strategy, the Sushiro Group recently entered into a capital and business alliance agreement with Shinmei Co., Ltd. and Genki Sushi Co., Ltd.

Shinmei has a corporate philosophy of contributing to the bright eating habits of people by protecting Japan's wonderful rice paddies and culture and creating taste and happiness through rice. Based on this concept, Shinmei actively runs its core area of the rice wholesale business as well as a business for processed rice meals such as cooked rice packs and cooked rice, and a restaurant business both in Japan and abroad. The Company has also been working recently to create food value chains from upstream through to downstream that includes fruit, vegetables and fishery products. Genki Sushi, a consolidated subsidiary of Shinmei, is an all-order-type restaurant that has shifted from the single lane to a 3-tiered, high-speed lane with a touch panel ordering system for its Genki Sushi, Uobei and other brands in line with a basic policy to create sushi restaurants that transcend *kaiten* sushi restaurants. By rolling out non-*kaiten* sushi restaurants and other measures, Genki Sushi is striving actively to win new

business. At the same time, it has established a stable position in the *kaiten* sushi industry. Genki Sushi has expanded overseas, largely through a franchise format, and is dispatching its state-of-the-art store system and technology around the world. It enjoys the largest number of stores and the strongest brands of all Japanese *kaiten* sushi companies in the overseas market.

Currently, the low-price *kaiten* sushi industry in which Sushiro and Genki Sushi operate is forecast to manifest significant growth compared with other restaurant industries in Japan and overseas. Despite this, the business environment is growing increasingly difficult due primarily to firmly rooted cost-consciousness among customers, a decline in labor on account of Japan's dwindling birthrate and aging population, skyrocketing personnel costs, and intensifying competition to secure customers that transcends industry and business categories. Based on an awareness of this environment, Sushiro will aim to grow into a company of overwhelming scale in terms of both quantity and quality through the business alliance in which the 3 companies of Sushiro, Shinmei and Genki Sushi build strong business foundations, procurement capabilities and store networks over the long term in Japan, where the market is projected to mature. In addition, Sushiro will develop business ahead of rival companies in the overseas market, where there is increasing promise in non-core areas. By working to maximize corporate value, Sushiro believes it can realize global expansion through the three-way partnership.

Corporate Governance Policy and Corporate Social Responsibility (CSR)

Sushiro is a company with an audit and supervisory committee. In addition, the composition of directors provides for a framework enabling them to fulfill their roles and responsibilities, contributing to the sustainable growth of the Company and the enhancement of corporate value over the medium and long terms. We are practicing corporate governance with a focus on transparency and speed of management.

In addition, the Sushiro Group has an internal control committee that aims to further improve corporate governance. Our external directors take part in committee meetings, and in addition to holding internal audits, we have a comprehensive system in place to handle risk

management and compliance. Our internal audit team inspects each store every year by carrying out physical inspections, and on-site checks are carried out to ensure that the stores fully comply with the rules set by the Company.

In terms of our CSR, rather than setting out to tackle and promote activities in individual CSR challenges, the Sushiro Group believes that the most important thing is to be useful to society through our corporate activities themselves. We believe that our role is to contribute to people and society by supplying our customers with delicious sushi through our main line of work, and to offer people enjoyable times and places.

Profit Distribution and Dividends Policy for FY2017 and FY2018

The Company regards the return of profits to its shareholders as an important management issue. Our basic policy is to continually enhance performance and provide ongoing, appropriate profit distribution in line with performance. In terms of our dividend policy, we aim to provide dividends based on performance once a year as an apportionment of surplus while comprehensively taking into consideration matters such as earnings trends and the replenishment of internal reserves. Internal reserves are used to fund aggressive investments to support the

implementation of a range of measures geared toward strengthening our operating base.

Based on this approach and considering the period from the stock listing to the record date for the year-end dividend, the Company set a year-end dividend of 45 yen for the fiscal year ended September 30, 2017. In the next fiscal year, the Company plans an annual dividend per share of 85 yen, assuming that the earnings forecast for the next fiscal year is achieved and taking into account the exercise of stock acquisition rights on November 7, 2017.

In Conclusion

The vision that Sushiro aims to achieve calls for creating more environments and locations for people around the world to enjoy sushi more casually. Many overseas customers still regard sushi as a luxurious and special type of food. For this reason, Sushiro wants to create a world where people can have truly delicious Japan-quality sushi as part of their everyday meals. For now, we will focus on expanding our business in areas overseas where we have already opened stores, namely South Korea, and elsewhere in Asia, which shares a culinary culture of enjoying raw seafood that is similar to that of Japan. In the near future, we plan to open a store in Taipei, Taiwan. I hope you share my sense of excitement at the bright future that awaits Sushiro.



Business Outline

The Sushiro Group comprises Sushiro Global Holdings Ltd. and 5 consolidated subsidiaries. Our main business is the development of a chain of directly operated *kaiten* sushi restaurants.

The Sushiro Group has focused on developing directly operated *kaiten* sushi restaurants under the Sushiro brand in Japan, while overseas we have developed directly operated *kaiten* sushi restaurants in South Korea.

A system diagram of Sushiro Group's business has been set out below.



Operating Results Overview for FY 2017

Amid ongoing cost consciousness among customers, the restaurant sector in Japan continued to face a challenging management environment. This was distinguished by a decline in the working population and surging labor costs accompanying demographic trends such as a falling birth rate and societal aging, as well as intensifying competition to capture customers across a range of restaurant segments and formats.

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

In terms of store development, the Group opened 38 stores (36 domestic and 2 overseas) and closed 4 (1 domestic and 3 overseas). This brought the total number of stores to 484 (477 domestic and 7 overseas) at the end of the fiscal year under review.

As a result, revenue for the fiscal year ended September 30, 2017 reached 156,402 million yen (up 5.9% year on year). Operating profit was 9,204 million yen (up 22.6%), profit before income taxes was 8,995 million yen (up 91.7%), and profit attributable to owners of the parent was 6,952 million yen (up 118.3%).

Topics

Stores now in all 47 prefectures of Japan Continued foray into the inner city

With the opening of Izumo Oyama Store in Shimane Prefecture on September 28, 2017, Sushiro stores now cover all 47 prefectures of Japan. And we'll continue to set up stores to reach even wider range of customers throughout Japan, and drive our business toward the company philosophy, "Tasty Sushi for All. Tasty Sushi for the Heart."

Sushiro stores so far have been primarily on the suburban roadside, but to meet the strong demand from city customers, we opened our first urban-model Sushiro store (Minami Ikebukuro Store, in Tokyo) in September 2016, followed by Gotanda Store, also in Tokyo, in May 2017. These newly-developed stores offer city-area-specific menus. They are also equipped with a variety of advanced service such as double-deck lanes (ordinary lane + 'auto-waiter' lane that enables speedier delivery of ordered item) and self-check-out tills.

Sushiro continues to take on a challenge to provide exquisite sushi and service to the people outside and inside the city area.



Sushiro Izumo Oyama Store



'Auto-waiter' ensures even speedier service.

Shorter waiting time Great deals via Sushiro app

Downloads of the Sushiro app, rolled out nationwide in February 2015, topped 7.5 million as of September 2017. The app has won praise for the convenience it offers, particularly with its immediate check-in and reservation features, which shorten in-store waiting time.

With the app, points under the "Maido Point" loyalty program can be accumulated with takeout orders made online, in addition to eating in. The points can be exchanged for a number of benefits such as discounts and original goods.

The app is free to download and register, and can be accessed using the QR code below.

Download now!

iPhone version ▶
 App Store からダウンロード

Android version ▶
 Google Play で手に入れよう



Please note:
 • Membership registration is required after download.
 • The app can only be used with smartphones (it cannot be used with personal computers or other mobile phones).
 • It is recommended for use with iOS version 9.3 or later and Android OS version 4.4 or later (it may not function correctly on some terminals).
 • Operation is not guaranteed on devices other than smartphones.

Go! Go! Kids' Project Launch of the Sushiro Mai rice planting and harvesting tour

Sushiro is implementing its Go! Go! Kids' Project with the aims of conveying the importance of food to children through sushi, as well as boosting awareness of the Company's dedication to and initiatives for safety and security in procurement and other areas.

Rice planting and harvesting tours have been initiated as part of the project.

In the tours, families can experience the production process for rice, the staple of Japan, gaining valuable insight into the importance of food. They can also get a good idea of the unique taste as well as reliability that come with exclusive Sushiro rice made in collaboration with the producer.

What is Sushiro Mai?

To provide tasty sushi at a reasonable cost in a stable manner nationwide, Sushiro grows its own rice for its sushi together with the producer.



Rice planting tours started in April 2017 (Chiba Prefecture).

Basic Approach to Corporate Governance

Sushiro's basic approach to corporate governance is for management to take personal responsibility for confirming adherence to laws, regulations and the articles of incorporation, and establishing a management system that upholds corporate governance.

In order to achieve our management philosophy and

management targets, we believe that establishing management systems that guide the attitudes of all officers and employees and provide direction in our business activities will lead to fairer and more transparent management, and bring about benefits for all of Sushiro's stakeholders.

Corporate Governance System

Sushiro is a "company with audit and supervisory committee." We have established the Audit & Supervisory Committee to provide a framework for supervising the Company's operations, and have strengthened the transparency and objectivity of our Board of Directors by increasing the composition ratio of external directors and creating a more diverse membership. Additionally, we delegate decision-making authority to directors, which helps separate business execution and supervision while also streamlining the business decision-making process.

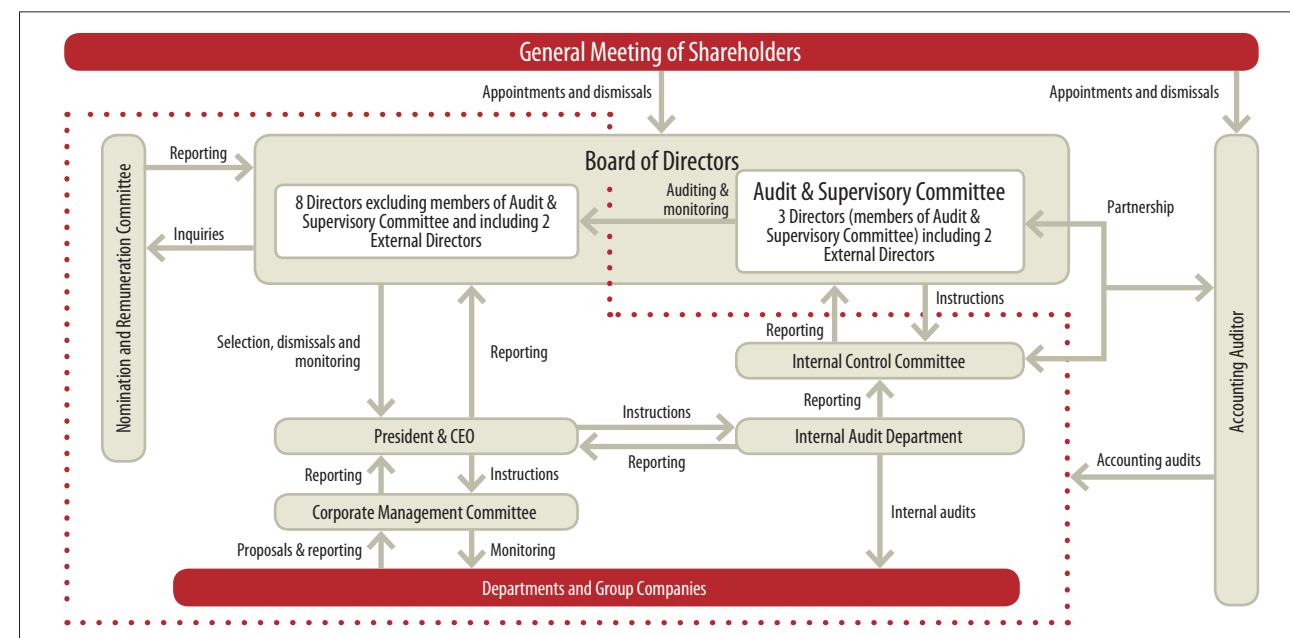
The Board of Directors (11 directors, including 4 external directors), Sushiro's decision-making body, meets once a month in principle. During these meetings, the Board determines material business matters and reports on the execution of business. Sushiro also has an Audit & Supervisory Committee comprising 3 members, including 2 external directors. These members monitor whether the directors are performing their duties appropriately, by attending Board of Directors meetings and checking the daily activities of directors.

To augment the Board of Directors' supervisory

function, we have established the Corporate Management Committee and the Nomination and Remuneration Committee, both all of which are under the Board's control. The majority of the members of the Nomination and Remuneration Committee are independent external directors. With a view to further enhancing our corporate governance structure, we established the Internal Control Committee. Chaired by the President, the Internal Control Committee comprises expert advisers (legal professionals) and other members appointed by the Chair. The Secretariat calls meetings of the Internal Control Committee as necessary, and the Committee otherwise meets once every quarter.

The Corporate Management Committee is entirely comprised of directors, including External Board members. The Committee deliberates on matters to be resolved by the Board of Directors as well as other important business managerial matters.

Our system of corporate governance is represented in the chart below.



The Functions and Roles of External Directors

External directors play an essential role. By monitoring and checking the management team, and by offering independent opinions and professional insights, they help ensure effective decision-making and business oversight, and contribute toward healthier and more transparent business operations.

Sushiro has adopted specific standards of independence that each of our external directors must fulfill. We only select candidates who are free from any conflicts of interest with general shareholders and who have a solid business acumen born from vast professional and business experience. Each of our 4 external directors (Paul Kuo, Akira Matsumoto, Ikuya Kawashima, and Yumiko Ichige) is registered with Tokyo Stock Exchange, Inc. as an independent director.

Our external directors keep abreast of the Company's business by receiving timely reports from the Internal Control Committee and Internal Audit Department via the Board of Directors. External directors who serve on the Audit & Supervisory Committee keep tabs on audit and supervisory matters by requesting reports on the method or results of audits from the accounting auditor or the Internal Audit Department, as well as by exchanging information and coordinating with each other as necessary. Such external directors also ascertain any matters that will require further investigation or that warrant a swift response. In this way, they contribute to rational and efficient business management.

Basis for Appointments of External Directors

| | |
|---|--|
| External Director Paul Kuo | In view of Paul Kuo's extensive insights and experience as a business executive, we concluded that he is qualified to suitably advise and supervise the Company. We therefore appointed him to the office of External Director. |
| External Director Akira Matsumoto | In view of Akira Matsumoto's extensive insights and experience as a business executive, we concluded that he is qualified to suitably advise and supervise the Company. We therefore appointed him to the office of External Director. |
| External Director Ikuya Kawashima | We concluded that Ikuya Kawashima will use his extensive insights and experience as a certified public accountant to supervise the Company's business affairs, and that he will suitably discharge his duties as an external director and member of the Audit & Supervisory Committee. We therefore appointed him to the office of External Director and Audit & Supervisory Committee Member. |
| External Director Yumiko Ichige | We concluded that Yumiko Ichige would use her professional know-how as a lawyer, as well as her experience from serving as a director and audit & supervisory board member of another company, to suitably advise and supervise the Company. We therefore appointed her to the office of External Director and Audit & Supervisory Committee Member. |

None of the external directors has any personal or financial interests in the Company or any other conflict of interest.

Directors' Remuneration

In accordance with a resolution of the General Meeting of Shareholders, we have set a limit on the amount of remuneration paid to each director (both those who are on the Audit & Supervisory Committee and those who are not).

For non-external directors who do not serve on the Audit & Supervisory Committee, the salary structure consists of 2 components: a fixed base salary and performance-linked variable pay. Base salary is set according to the director's position or role. Variable pay, on the other hand, is linked to performance as measured by sales growth rate and current profit, and is intended to incentivize directors to improve performance. For external directors, we provide base salary only so as to encourage directors to discharge their duties independently of those who execute business.

As a medium-to-long term incentive, we have a compensatory stock option plan. For directors who serve on the Audit & Supervisory Committee, we provide a base salary component only so as to encourage such directors to discharge their auditing and supervisory duties independently of those who execute business, which is essential for ensuring effective oversight of the performance of duties. The amount of base salary is determined by negotiation with the person concerned, within the scope authorized by the General Meeting of Shareholders.

Sushiro does not have a retirement allowance plan (except with respect to the payouts that we determined before scrapping the plan).

| Type of director | Total remuneration (in millions, JPY) | Remuneration breakdown (in millions, JPY) | | | | | Number of persons |
|---|---------------------------------------|---|---------------|-------|----------------------|-------|-------------------|
| | | Base salary | Stock options | Bonus | Retirement allowance | Other | |
| Directors excluding members of Audit & Supervisory Committee and External Directors | 194 | 141 | — | 40 | 8 | 5 | 5 |
| External Board member | 27 | 27 | — | — | 0 | — | 3 |

Note: "Other" refers to a director's rent allowance for company housing.

Internal Control and Risk Management System

We analyze a broad spectrum of risks in a uniform manner, identifying and assessing risks and devising pre-emptive measures. When a risk becomes an imminent threat, we act swiftly and effectively so as to minimize any damage, take steps to prevent a recurrence, and thus protect our corporate value. To ensure compliance with laws, we have established the Risk Management Guidelines and the Operating Guidelines of the Internal Control System. Both guidelines are managed and enforced by the Internal Control Committee.

The Internal Control Committee has the President as its Chair and the General Affairs Department as its Secretariat. Its membership comprises expert advisers (legal professionals) and other members appointed by the Chair. The Committee takes charge of risk management by identifying, analyzing, and assessing material risks to the Group's business, and determining corrective actions in view of such risks. The Secretariat requests the Chair to call meetings of the Internal Control Committee as necessary, and the Committee otherwise meets once every quarter.

We have established the Crisis Management Guidelines to help ensure a swift and effective response during emergencies. Additionally, wishing to lead the way in information security, we have established the Basic Guidelines on Information Systems, which sets forth standards for handling informational assets.

Sushiro also has a 9-member Internal Audit Department under the direct control of the President. The Internal Audit Department conducts regularly scheduled audits of the Company's business processes, issuing recommendations or directives for corrective action to the divisions or personnel concerned and reporting the results of its audits to the President as necessary. The Department closely liaises with Audit & Supervisory Committee members and the accounting auditor, exchanging information as necessary. In this way, the Internal Audit Department works to forestall risk.

Anyone who notices or suspects a breach of a law or Company rule, or any other serious malpractice, can immediately report the matter to a member of the Audit & Supervisory Committee or the Internal Control Committee. The Company has a whistleblower hotline in place so that such matters can be identified and resolved early.

Operating Risks

We have outlined below those risks to the Group's financial position and operating performance that may materially influence an investment decision. These descriptions contain forward-looking statements. Such statements are based on the Group's forecasts as of the time of this Report; they are not intended to exhaustively cover the risks that may potentially arise in the future.

● Risks associated with economic change

Most of the Group's stores are in Japan. As such, the Group's business operations, operating performance, and financial position may be affected by economic fluctuations in the country or by consumption tax hikes and other economic policies of the governments concerned. The Group's business operations, operating performance, and financial position are particularly vulnerable to a decline in disposable income (driven by changes in employment levels or other factors), which results in people spending less on eating out or takeouts, *kaiten* sushi restaurants being no exception in this regard. Another such factor is foreign exchange fluctuation (the primary concern being the weakening yen), which drives up the cost of procuring seafood materials.

● Risks associated with competition in the *kaiten* sushi industry and the restaurant industry in general

The Group specializes in the sushi business and directly operates a large network of low-price *kaiten* sushi restaurants. Low-price *kaiten* sushi enterprises, which offer a plate of sushi for 100 yen, have been spreading throughout Japan recently, creating an increasingly oligopolistic market. In addition to the large chains, there are traditional sushi restaurants, smaller low-price *kaiten* sushi chains, and expensive *kaiten* sushi restaurants. While the price ranges differ, we also regard these chains and restaurants as our competitors. Sushiro also competes with various other types of restaurants, including family restaurants, fast food outlets, and individually or family-owned restaurants, as well as convenience stores, takeout/delivery services, and supermarkets.

Price competition in the low-price *kaiten* sushi industry is particularly intense. While continuing to place priority on the quality of our sushi and side menus, as well as on keeping a generous range of menu items, we may be required to enter a pricing battle with competitors. Furthermore, Japan's shrinking population may stall overall growth in the restaurant and food services industry, leading to even fiercer competition.

● Risks associated with changing consumer preferences

The restaurant and food services industry in which we operate is vulnerable to rapidly changing consumer preferences. The Group's mission is to develop *kaiten* sushi restaurants under our Sushiro brand with a view to serving fresh, high-quality sushi at attractive prices, in a clean and comfortable *kaiten* sushi setting, and with excellent customer service. We regard the low-price (100 yen-per-plate) *kaiten* sushi as a low-end market that has attracted a broad customer base. However, the Group's business operations and the performance of its stores may be adversely affected if consumer preferences drift away from the either Sushiro concept—the core concept of the Group—or the core menu that the Group provides.

● Risks associated with food hygiene management

The Group's core menu consists of fresh fish and other seafood. If these products are not properly stored, transported, or prepared, the food chain may become contaminated, leading to a food safety crisis. The Group places the utmost importance on food safety. At all points along the chain—during procurement, storage, transport, preparation, and serving—we adhere strictly to the Food Sanitation Act and other relevant legislation, and we invest a vast amount of resources in minimizing food safety risks. Nevertheless, even with the very best of our efforts, we may never be able to completely eliminate the possibility of food poisoning incidents involving norovirus, E. coli, hepatitis A, or salmonella infection or similar food safety incidents. Moreover, since the Group relies on third-party suppliers for fresh fish and other raw materials, there are certain food poisoning risk factors that are beyond the Group's control, and these risks could potentially impact a large number of the Group's stores. There is also a risk of infection outbreaks involving novel or divergent strains or diseases with long incubation periods. If such outbreaks occur, it may be difficult to quickly pinpoint the source and take the appropriate remedial measures.

Additionally, the Group's credibility may be adversely affected by media reportage, public rumors, or allegations (factual or otherwise) regarding food safety matters (including food poisoning, foreign body-contamination, and microbial contamination incidents) that pertain to the Group or to the low-price *kaiten* sushi industry in general. Such an eventuality may have serious negative repercussions for the Group's reputation, as well as its business operations, financial position, and operating performance.

The Group is insured against food poisoning incidents such as those involving norovirus infection; however, if contamination occurs in even only a small part of the

Group's food stock, it may become necessary to dispose of all food stock that is not confirmed as being free from the contamination. Such a measure may result in massive transitory costs.

The Group complies with the Food Sanitation Act and many other legal requirements concerning health and food safety. If the Group fails to comply with any legal requirement concerning health and food safety, stores may lose their license or be subject to a business suspension order. Fines and legal sanctions are also a possibility in such cases. Additionally, if any new laws, rules, or standards on health and food safety are introduced, this may lead to an increase in the Group's overall operating costs.

● Risks associated with procurement difficulties or the rising cost of ingredients

To maintain the profitability of the Group's business operations, it is essential to accurately predict any fluctuations in the price of fresh fish and other food materials, as well as other store equipment, and then act accordingly. Prices for these items are affected by numerous factors, including the following: inflation in Japan and overseas; bad or abnormal weather or natural disasters; a surge in demand created by sustained growth in emerging economies, creating upward pressure on prices; logistical obstructions; government-imposed import restrictions; international fishing restrictions; cases where supply is suspended because a supplier has fallen bankrupt or because of an accident or disaster; food sanitation issues or fears of radioactive contamination that result in an order to suspend shipments or reputational damage; foreign exchange fluctuations; and tax hikes. As a result of the above factors, which are difficult for the Group to control or predict, the procurement of raw materials may become unstable or the procurement prices may rise. Such an eventuality may lead to higher sales prices and in turn impact the Group's operating performance.

● Risks associated with unforeseeable natural disasters

The Group operates stores across Japan. The areas in which the Group operates may be exposed to natural disasters, including large-scale earthquakes, floods, or typhoons, as well as epidemics involving infectious diseases such as new strains of influenza. These areas may also experience tragic and catastrophic events, social or political unrest, or rioting. As a result of such incidents, the supply of raw materials may be disrupted, the head office may become dysfunctional, stores may be lost, and people in the area may dine out less. Such eventualities may impact the Group's business operations, financial position, and operating performance.

● Risks associated with dependence on senior management and the need to secure competent store managers

The Group relies on its senior management team to determine strategy, manage operations, identify business opportunities, act against potential risks, and manage its trading partners. If any member of the senior management team separates from the Group's business for business, financial, health, or domestic reasons, the Group may struggle to secure an effective replacement in a short space of time or at the same cost level as the previous incumbent. Such problems may adversely affect the Group's business operations.

A key priority in the management of the Group's business is to provide an attractive working environment so as to secure an adequate number of store managers. In addition to setting employee work schedules, store managers are responsible for ordering the appropriate amount of supplies for their store, including supplies of fresh fish and other raw materials or equipment. Under this system, store managers manage the store's running costs by directly controlling sales costs and personnel costs.

There is a possibility that the Group may not secure adequate human resources with the skills and experience necessary to perform their roles competently. Competition over such human resources may put pressure on the Group to offer higher salaries or grant more generous benefit packages. Failure to recruit and retain competent managers may lead to a higher staff turnover or higher personnel costs; it may also cause a decline in the quality of the Group's services. Such eventualities may adversely affect the Group's business operations.

● Risks associated with securing and managing part-time staff

The Group has a large part-time workforce, and our policy of recruiting and retaining many part-time employees is an essential component of our strategy to keep store running costs low. As such, the Group relies to a great extent on part-time employees in running the stores. Labor demands have increased in recent years amid the declining birth rate, aging population, and depopulation, leading to higher wages for part-time employees. This trend may make it harder for the Group to secure an adequate workforce for existing and prospective stores.

Consequently, the Group may face rising labor-related costs and have to suspend or cut back on store operations. The Group may also find it necessary to discontinue plans for new store openings until it can achieve a staffing level that is adequate from a cost-benefit perspective. Such factors may adversely impact the Group's business operations, financial position, and operating performance.

● **Risks associated with information and communication systems**

The Group relies to a great extent on information and communication systems across a broad spectrum of its business management operations, examples of which include supply chain management, reception system, touch panel ordering system, order and lane management, disposal management. In February 2015, we introduced a Sushiro smartphone app, which among other things allows users to check waiting times and place orders for takeout items. As such, to ensure effective management of the Group's business operations as a whole and to effectively coordinate the preparation, delivery, and sale of menu items, it is essential that these systems are reliable and functional. Risks associated with these systems include the following: systems may fail to function effectively; problems may occur during an upgrade or migration to an alternative system; systems may sustain heavy network damage as a result of cyberattacks, and it may otherwise become difficult to maintain a sustainable and safe online platform. Such eventualities may lead to delays in customer service and a decline in the efficiency of the Group's business management. Additionally, the problems may require sizable capital investments to fix, and they may prompt rumors that damage the Group's reputation.

● **Risks associated with reputational damage**

The Sushiro brand is of paramount importance to the Group's business success. If the Group's trademark is used improperly, or if complaints or allegations surface online (such as allegations about foreign body-contamination), reputational damage may result and proliferate. Regardless of their factuality, the rumors may affect the Group's business operations, financial position, operating performance, brand image, and public reputation. Additionally, Sushiro's brand image and public reputation may also be undermined by improper actions among employees or third parties, or as a result of other incidents.

Reputational damage may arise from a number of factors. Examples include legal infringements, unfair practices, claims brought by unscrupulous employees, employee grievances, disease, injury, media reportage, inappropriate comments on the Internet or social media, criminal acts, data privacy breaches, inadequate internal controls, and scandals that involve Group employees or the employees of other companies within the industry or in a similar industry. Regardless of whether the claims or allegations are justified, unfavorable criticism levied against a store of Group or a competitor, or against Japan's food industry more broadly, may adversely affect the credibility of the all of the Group's stores. Additionally, criticism may be directed at the Group as a whole or the

industry in which it operates (including criticism concerning food safety, the results of government or industry group-led inquiries on food products, ecological concerns about overfishing, or management issues involving Group stores). Such criticism may undermine the Group's reputation, adversely affect its ability to attract customers and expand sales, and thus seriously damage its financial position and operating performance.

● **Risks associated with overseas business operations**

The Group is taking concrete steps as part of an overseas expansion strategy under the slogan "Bringing Sushi to the People Around the World." The task of managing overseas business operations as a whole entails, potentially, a host of challenges: consumers in overseas locations may exhibit different preferences, price consciousness, eating-out habits, and consumption trends; brand awareness may be poor; there may be many alternative eating-out options to compete with; fluctuations in the local economy may affect consumer trends, raw material costs, or logistics or personnel expenses; material costs and foreign exchange markets are subject to fluctuation; overseas locations may be exposed to acts of war, terrorist incidents, epidemics, or other circumstances that are beyond the Group's control; moreover, changes in the location's legal or regulatory requirements may affect the Group's managerial capacity or operational costs in the market concerned. Such challenges may adversely affect the Group's financial position, operating performance, and growth strategy.

● **Risks associated with foreign exchange markets**

Management of the Group is affected by currency fluctuations on foreign exchange markets and by changes to foreign exchange regulations. The Group procures fresh fish materials directly from suppliers such as trading companies and wholesalers. The majority of these procurement costs are on a yen basis, but the procurement costs for some suppliers are on a foreign currency basis. If these foreign currencies rise against the yen, and if the suppliers attempt to offload speculation-driven cost increases onto the Group, this may lead to higher procurement costs for the Group.

Analysis of Financial Position, Operating Performance, and Cash Flows

Accounting principles and assumptions

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. It is necessary, in preparing the consolidated financial statements, for the management team to make certain assumptions and forecasts that shape the financial position, operating performance, and cash flows as of the settlement date. Such assumptions and forecasts are made on the basis that they are reasonable in light of past performance indices and circumstances. However, actual results may differ from estimated results if underlying assumptions prove incorrect or if the environment subsequently changes.

(1) Performance

During the consolidated fiscal year ended September 30, 2017, the Japanese economy exhibited a steady recovery as evidenced by an improvement in corporate earnings, the income environment, and employment conditions against the backdrop of various policies implemented by the government and the Bank of Japan (BOJ). However, the outlook remains clouded by factors such as the UK's looming departure from the EU, US policies in the wake of the last presidential election, and concerns over the economic direction in China and other Asian emerging markets.

Amid ongoing cost consciousness among customers, the restaurant sector continued to face a challenging management environment, including a decline in the working population and surging labor costs due to demographic trends such as a 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 preparation, 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 38 stores (domestic: 36, overseas: 2) and closed 4 (domestic: 1, overseas: 3), bringing the total number of stores to 484 (domestic: 477, overseas: 7) at the end of the consolidated fiscal year ended September 30, 2017.

As a result, revenue totaled 156,402 million yen (up 5.9% year on year), operating profit 9,204 million yen (up 22.6%), profit before income taxes 8,995 million yen (up 91.7%), and profit attributable to owners of the parent 6,952 million yen (up 118.3%).

In addition, EBITDA came to 13,899 million yen (up 13.3% year on year), adjusted EBITDA to 13,933 million yen (up 10.6%),

and adjusted profit for the year to 6,473 million yen (up 30.0%).

(2) Analysis of Operating Performance

Revenue and Gross profit

Revenue increased 8,700 million yen (up 5.9% year on year), to 156,402 million yen. The key factors that contributed to sales were the opening of 38 new stores, the improvement of the takeout menu, and the high-price (280 yen-per-plate) menu.

Cost of sales came to 75,498 million yen, and the sales to cost ratio declined 0.5 points year on year, to 48.3%. The contributing factors to this result include stable supplier costs and reduced waste.

Consequently, gross profit came to 80,905 million yen, an increase of 5,210 million yen (up 6.9% year on year).

Selling, general and administrative expenses, Other income, Other expenses and Operating profit

Selling, general and administrative expenses increased 3,874 million yen (up 5.8% year on year), to 70,976 million yen. This result was primarily attributable to the increase in personnel and rent costs accompanying new store openings.

Other income decreased 76 million yen (down 38.9% year on year), to 119 million yen. The primary cause of this result is that reversal of impairment losses decreased 139 million yen year on year. Other expenses decreased 435 million yen (down 34.0%), to 844 million yen. This result was primarily caused by the recording of 231 million yen in restructuring expenses in the previous consolidated fiscal year. Another factor was that listing expenses increased 154 million yen, offsetting the 195 million yen year-on-year decline in impairment losses.

Consequently, operating profit came to 9,204 million yen, an increase of 1,696 million yen (up 22.6% year on year).

Finance income, Finance expenses and Profit attributable to owners of the parent

Finance income increased 141 million yen (up 185.2% year on year), to 217 million yen. This result was primarily caused by the recording of 80 million yen in foreign exchange gains, and 64 million yen in gain on valuation of derivatives, in the previous consolidated fiscal year. Finance expenses decreased 2,466 million yen (down 85.3% year on year), to 427 million yen. The factors behind this result include the recording of 1,178 million yen in refinancing costs in the previous consolidated fiscal year and the fact that interest due decreased 978 million yen year on year.

Consequently, profit attributable to owners of the parent came to 6,952 million yen, an increase of 3,768 million yen (up 118.3% year on year).

(3) Overview of Financial Position

Assets

The balance of total assets rose 3,206 million yen from the end of the previous consolidated fiscal year to 125,562 million yen.

The balance of current assets increased 841 million yen from the end of the previous consolidated fiscal year to 11,975 million yen. This mainly reflected a 389 million yen increase in cash and cash equivalents and a 306 million yen increase in trade and other receivables.

The balance of non-current assets increased 2,365 million yen from the end of the previous consolidated fiscal year to 113,587 million yen. This was mainly attributable to an increase of 1,908 million yen in property, plant and equipment resulting from new store openings.

Liabilities

Total liabilities declined 3,736 million yen from the end of the previous consolidated fiscal year to 93,762 million yen.

The balance of current liabilities rose 1,028 million yen from the end of the previous consolidated fiscal year to 27,722 million yen. This mainly reflected a 1,189 million yen increase in income taxes payable and a 429 million yen increase in other financial liabilities, alongside a 421 million yen decline in provisions and a 241 million yen decline in borrowings.

The balance of non-current liabilities declined 4,764 million yen from the end of the previous consolidated fiscal year to 66,040 million yen. This mainly reflected a 449 million yen increase in provisions, alongside a 4,114 million yen decline in borrowings and an 845 million yen decline in deferred tax liabilities.

Equity

Total equity increased 6,942 million yen from the end of the previous consolidated fiscal year to 31,800 million yen. This was mainly the result of recording 6,946 million yen in profit for the year.

(4) Factors that Can Significantly Affect Operating Performance

The Group's sales and expenses are affected by factors such as economic circumstances, competition with other companies, changes in consumer preferences, food material prices, utility expenses, new store openings, rent, natural disasters, and personnel costs. If any of these factors arise and the Group is unable to respond appropriately, they may affect the Group's operating performance.

Please see "Operating Risks" for details about other factors that can materially affect the Group's operating performance.

(5) Sources of Capital and Liquidity of Assets

1. Cash flows

In the consolidated fiscal year ended September 30, 2017, cash and cash equivalents increased 389 million yen year on year to 8,538 million yen.

The breakdown of cash flows by activities and underlying factors for the consolidated fiscal year ended September 30, 2017 is shown below.

Cash flow from operating activities

Net cash from operating activities totaled 11,574 million yen (down 23.9% year on year).

This mainly reflected the booking of 8,995 million yen in profit before income taxes, 3,904 million yen in depreciation and amortization, and 375 million yen in impairment losses, alongside a 305 million yen increase in trade and other receivables, 248 million yen in interest paid, and 1,729 million yen in income taxes paid.

Cash flow from investing activities

Net cash used in investing activities came to 5,533 million yen (up 20.8% year on year).

This was mainly attributable to 4,547 million yen in spending related to the purchase of property, plant and equipment accompanying store openings.

Cash flow from financing activities

Cash used in financing activities amounted to 5,663 million yen (down 3.3% year on year).

This mainly reflected 4,503 million yen in repayments of long-term borrowings and 1,075 million yen in repayments of lease obligations.

2. Financial management

In the interests of capital investment and operating capital, the Group adopts the financial policy of retaining an ample level of assets while maintaining financial liquidity and robustness.

As regards to liquidity of assets, in addition to retaining appropriate levels of cash and cash equivalents, we have entered into committed credit line agreements with banks, and thus believe that the Group has secured a level of liquidity for pursuing growth.

Notes:

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 + Profits/losses related to Sushiro U.S. Holdings Inc.

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

Management advisory fees based on management advisory agreement refers to fees based on a consulting agreement with Consumer Equity Investments Limited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, JPY)

| | Fiscal Year Ended September 30, 2016 | Fiscal Year Ended September 30, 2017 |
|--|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 8,149 | 8,538 |
| Trade and other receivables | 909 | 1,214 |
| Inventories | 1,098 | 1,174 |
| Other financial assets | 229 | 241 |
| Other current assets | 750 | 807 |
| Total current assets | 11,134 | 11,975 |
| Non-current assets: | | |
| Property, plant and equipment | 19,262 | 21,169 |
| Goodwill | 30,371 | 30,371 |
| Intangible assets | 54,558 | 54,550 |
| Lease and guarantee deposits | 6,453 | 6,969 |
| Other financial assets | 73 | 51 |
| Other non-current assets | 505 | 476 |
| Total non-current assets | 111,222 | 113,587 |
| Total assets | 122,356 | 125,562 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities: | | |
| Trade and other payables | 16,849 | 16,719 |
| Borrowings | 4,355 | 4,114 |
| Income taxes payable | 839 | 2,028 |
| Other financial liabilities | 1,334 | 1,763 |
| Provisions | 1,600 | 1,179 |
| Other current liabilities | 1,718 | 1,920 |
| Total current liabilities | 26,695 | 27,722 |
| Non-current liabilities: | | |
| Borrowings | 48,861 | 44,747 |
| Other financial liabilities | 2,712 | 2,489 |
| Provisions | 1,197 | 1,646 |
| Deferred tax liabilities | 17,950 | 17,104 |
| Other non-current liabilities | 84 | 54 |
| Total non-current liabilities | 70,803 | 66,040 |
| Total liabilities | 97,498 | 93,762 |
| Equity | | |
| Capital stock | 100 | 100 |
| Capital surplus | 42,103 | 13,573 |
| Retained earnings | 7,282 | 17,730 |
| Treasury stock | (25,028) | (0) |
| Other components of equity | 465 | 450 |
| Total equity attributable to owners of the parent | 24,922 | 31,853 |
| Non-controlling interests | (64) | (53) |
| Total equity | 24,858 | 31,800 |
| Total liabilities and equity | 122,356 | 125,562 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in millions, JPY)

Fiscal Year Ended September 30, 2016
(From October 1, 2015 to September 30, 2016)

Fiscal Year Ended September 30, 2017
(From October 1, 2016 to September 30, 2017)

| | | |
|--|----------|-----------------|
| Revenue | 147,702 | 156,402 |
| Cost of sales | (72,008) | (75,498) |
| Gross profit | 75,695 | 80,905 |
| Selling, general and administrative expenses | (67,102) | (70,976) |
| Other income | 195 | 119 |
| Other expenses | (1,279) | (844) |
| Operating profit | 7,509 | 9,204 |
| Finance income | 76 | 217 |
| Finance expenses | (2,893) | (427) |
| Profit before income taxes | 4,692 | 8,995 |
| Income taxes | (1,528) | (2,049) |
| Profit for the year | 3,164 | 6,946 |
| Profit attributable to: | | |
| Owners of the parent | 3,184 | 6,952 |
| Non-controlling interests | (20) | (6) |
| Profit for the year | 3,164 | 6,946 |
| Earnings per share: | | |
| Basic earnings per share | 90.11 | 253.16 |
| Diluted earnings per share | 85.86 | 247.09 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions, JPY)

Fiscal Year Ended September 30, 2016
(From October 1, 2015 to September 30, 2016)

Fiscal Year Ended September 30, 2017
(From October 1, 2016 to September 30, 2017)

| | | |
|--|-------|--------------|
| Profit for the year | 3,164 | 6,946 |
| Other comprehensive income: | | |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 70 | (80) |
| Effective portion of changes in fair value of cash flow hedges | — | 74 |
| Total of items that may be reclassified subsequently to profit or loss | 70 | (6) |
| Other comprehensive income after taxes | 70 | (6) |
| Total comprehensive income for the year | 3,234 | 6,940 |
| Attributable to: | | |
| Owners of the parent | 3,248 | 6,951 |
| Non-controlling interests | (14) | (11) |
| Total comprehensive income for the year | 3,234 | 6,940 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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, 2015 | 100 | 42,318 | 4,105 | — | 189 | 46,712 | (88) | 46,624 |
| Profit for the year | | | 3,184 | | | 3,184 | (20) | 3,164 |
| Other comprehensive income | | | | | 64 | 64 | 6 | 70 |
| Total comprehensive income | — | — | 3,184 | — | 64 | 3,248 | (14) | 3,234 |
| Share-based payment transactions | | | 23 | | 212 | 235 | | 235 |
| Purchase of treasury stock | | | | (25,028) | | (25,028) | | (25,028) |
| Changes in ownership interests in subsidiaries that do not result in loss of control | | | (30) | | | (30) | 30 | — |
| Changes from business combination | | (215) | | | | (215) | | (215) |
| Others | | | | | | — | 8 | 8 |
| Total transactions with the owners | | (215) | (7) | (25,028) | 212 | (25,038) | 38 | (25,000) |
| Balance as of September 30, 2016 | 100 | 42,103 | 7,282 | (25,028) | 465 | 24,922 | (64) | 24,858 |
| Profit for the year | | | 6,952 | | | 6,952 | (6) | 6,946 |
| Other comprehensive income | | | | | (1) | (1) | (5) | (6) |
| Total comprehensive income | — | — | 6,952 | — | (1) | 6,951 | (11) | 6,940 |
| Deficit disposition | | (3,502) | 3,502 | | | — | | — |
| Share-based payment transactions | | | 14 | | (14) | — | | — |
| Purchase of treasury stock | | | | (0) | | (0) | | (0) |
| Cancellation of treasury stock | | (25,028) | | 25,028 | | — | | — |
| Changes in ownership interests in subsidiaries that do not result in loss of control | | | (20) | | | (20) | 20 | — |
| Others | | | | | | — | 2 | 2 |
| Total transactions with the owners | — | (28,530) | 3,497 | 25,028 | (14) | (20) | 21 | 2 |
| Balance as of September 30, 2017 | 100 | 13,573 | 17,730 | (0) | 450 | 31,853 | (53) | 31,800 |

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions, JPY)

Fiscal Year Ended
September 30, 2016
(From October 1, 2015 to
September 30, 2016)

Fiscal Year Ended
September 30, 2017
(From October 1, 2016 to
September 30, 2017)

| | | |
|--|----------|----------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 4,692 | 8,995 |
| Depreciation and amortization | 3,591 | 3,904 |
| Impairment losses | 570 | 375 |
| Finance income | (76) | (223) |
| Finance expenses | 2,897 | 427 |
| Amount of rent offset by lease and guarantee deposits | 267 | 283 |
| Restructuring expenses | 231 | — |
| Increase / decrease in trade and other receivables, (increase) | (189) | (305) |
| Increase / decrease in inventories, (increase) | (184) | (74) |
| Increase / decrease in trade and other payables, (increase) | 5,840 | (139) |
| Others | 214 | 306 |
| Subtotal | 17,852 | 13,549 |
| Interest and dividend income received | 2 | 1 |
| Interest paid | (1,097) | (248) |
| Income taxes paid | (1,980) | (1,729) |
| Income taxes refund | 438 | — |
| Net cash from operating activities | 15,215 | 11,574 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,011) | (4,547) |
| Purchase of intangible assets | (333) | (295) |
| Payments for lease and guarantee deposits | (984) | (837) |
| Purchase of shares in an associate | (354) | — |
| Others | 101 | 145 |
| Cash flows from investing activities | (4,581) | (5,533) |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 78,748 | — |
| Repayments of long-term borrowings | (57,916) | (4,503) |
| Repayments of lease obligations | (958) | (1,075) |
| Payments for commission fees | (763) | (35) |
| Increase / decrease in treasury stock, (decrease) | (25,037) | (0) |
| Others | 73 | (50) |
| Cash flows from financing activities | (5,854) | (5,663) |
| Net Increase / decrease in cash and cash equivalents, (decrease) | 4,780 | 377 |
| Cash and cash equivalents at beginning of year | 3,394 | 8,149 |
| Effect of exchange rate changes on cash and cash equivalents | (25) | 12 |
| Cash and cash equivalents at end of year | 8,149 | 8,538 |

Company Outline (As of September 30, 2017)

| | |
|---------------------|---|
| Company Name | Sushiro Global Holdings Ltd. |
| Established | March 2015 |
| Head Office | 1-22-2, Esaka-cho, Suita-shi, Osaka 564-0003, Japan |
| Capital | 100 million yen |
| Number of Employees | 1,397 (Full-time, Consolidated) |
| Main Banks | Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. |
| Line of Business | Sushi restaurant chain |
| Group Companies | AKINDO SUSHIRO CO., LTD. SUSHIRO KOREA, INC. Sushiro Creative Dining Ltd. Sushiro Taiwan Co., Ltd. |

Board of Directors (As of December 21, 2017)

| | |
|--|---------------------|
| President & CEO | Koichi Mizutome |
| Director | Yoshihito Kinoshita |
| Director | You Horie |
| Director | Kohei Nii |
| Director | Mitsuo Fujio |
| Director | Tatsuya Mori |
| Director | Paul Kuo |
| Director | Akira Matsumoto |
| Director (Audit & Supervisory Committee Member) | Ikuya Kawashima |
| Director (Audit & Supervisory Committee Member) | Kenichi Toyosaki |
| Director (Audit & Supervisory Committee Member) | Yumiko Ichige |

Note: Paul Kuo, Akira Matsumoto, Ikuya Kawashima and Yumiko Ichige are external directors.

Stock Information (As of December 31, 2017)

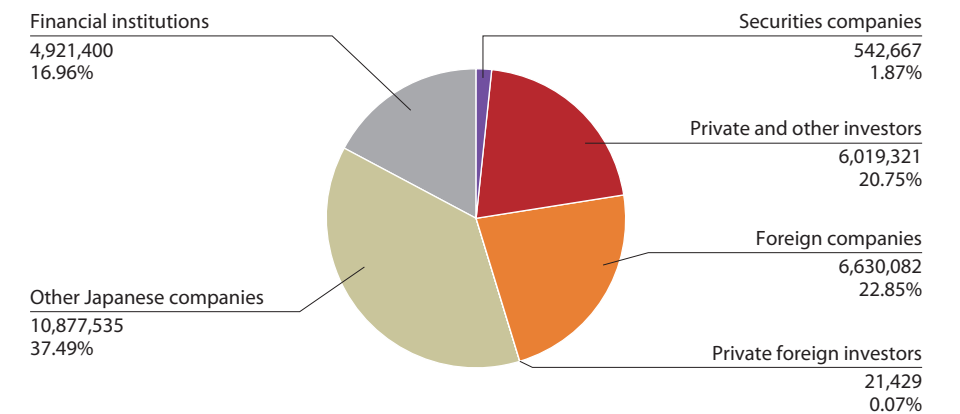
| | |
|-----------------------------------|--------------------|
| Total number of authorized shares | 109,000,000 shares |
| Total number of issued shares | 29,012,496 shares |
| Number of shareholders | 31,857 |

Major Shareholders (top 5) (As of December 31, 2017)

| | Shares held (1,000 shares) | Shareholding ratio (%) |
|--|-------------------------------|---------------------------|
| SHINMEI Co., LTD. | 9,493,035 | 32.72 |
| The Master Trust Bank of Japan, Ltd. (trust) | 1,273,600 | 4.39 |
| National Federation of Agricultural Cooperative Associations | 1,111,100 | 3.83 |
| Japan Trustee Services Bank, Ltd. (trust) | 1,080,100 | 3.72 |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 777,929 | 2.68 |

Note: The shareholding ratio is calculated based on the total number of issued shares excluding treasury shares (62 shares).

Shareholder Composition (As of December 31, 2017)



Note: The percentage values for shareholder composition are rounded to 2 decimal places; therefore, the sum may not add up to 100.

Stock Price and Trading Volume

