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Consolidated Financial Results for the 3rd Quarter Ended June 30, 2018 [IFRS]

Aug 8, 2018

Listed company name Sushiro Global Holdings Ltd. Listed stock exchange: TSE
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 Scheduled filing date to file Quarterly Securities Report Aug 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 3rd quarter Ended June 30, 2018 (October 1, 2017 to June 30, 2018)

(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 | % |
| 3rd quarter Ended June 30, 2018 | 128,044 | 11.5 | 8,918 | 35.9 | 8,729 | 36.3 | 5,986 | 38.0 | 5,987 | 37.9 | 5,957 | 36.7 |
| 3rd quarter Ended June 30, 2017 | 114,846 | 7.2 | 6,562 | 12.0 | 6,403 | 38.3 | 4,338 | 31.5 | 4,342 | 31.4 | 4,358 | 31.4 |

| | Basic earnings per share | Diluted earnings per share |
|---------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| 3rd quarter Ended June 30, 2018 | 207.87 | 205.53 |
| 3rd quarter Ended June 30, 2017 | 158.12 | 154.36 |

Reference: Adjusted profit for the period: 3rd quarter ended June 30, 2018: 6,050 million yen (+29.7% year on year)
 3rd quarter ended June 30, 2017: 4,664 million yen

Notes:

- 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."
- 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 | % |
| 3rd quarter Ended June 30, 2018 | 128,585 | 38,811 | 38,811 | 30.8 |
| 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 | — | 0.00 | | | |
| Fiscal Year Ending September 30, 2018 (forecast) | | | — | 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 |
|---------------------------------------|-------------|------|------------------|------|----------------------------|------|---------------------|------|--|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Fiscal Year Ending September 30, 2018 | 175,000 | 11.9 | 11,600 | 26.0 | 11,400 | 26.7 | 7,800 | 12.3 | 7,800 | 12.2 | 270.32 |

Note: Revisions to the most recently announced earnings forecasts: Yes

* 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) | 3rd quarter Ended June 30, 2018 | 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 | 3rd quarter Ended June 30, 2018 | 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) | 3rd quarter Ended June 30, 2018 | 28,801,876 shares | 3rd quarter Ended June 30, 2017 | 27,458,902 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 by certified public accountants or accounting firms.

* 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 + Tax effect adjustments, etc.

Note: This refers to fees based on a consulting agreement with Consumer Equity Investments Limited which has been expired on December 31, 2016.

- (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.

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 3rd 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, the employment environment, and income conditions. However, the economic outlook remains clouded by trends such as trade friction between the US and China sparked by protectionist policies in the US, and growing uncertainty surrounding conditions in North Korea.

The restaurant sector continued to face a challenging management environment distinguished by rising raw material prices and by intensifying competition for human resources and surging labor costs fueled by worker shortages.

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 28 new stores (domestic: 25, overseas: 3), bringing the total number of stores to 512 (domestic: 502, overseas: 10) at the end of the 3rd quarter of the consolidated fiscal year ending September 30, 2018.

As a result, revenue for the 3rd quarter of the current consolidated fiscal year totaled 128,044 million yen (+11.5% year on year), operating profit 8,918 million yen (+35.9% year on year), profit before income taxes 8,729 million yen (+36.3% year on year), and profit for the period attributable to owners of the parent 5,987 million yen (+37.9% year on year).

In addition, adjusted profit for the period came to 6,050 million yen (+29.7% year on year).

Notes: Adjusted profit for the period = Profit for the period + Expenses related to management integration
+ Tax effect adjustments, etc.

(2) Explanation of financial position

1) Assets, liabilities and equity

(Assets)

The balance of total assets increased 3,023 million yen from the end of the previous consolidated fiscal year to 128,585 million yen.

The balance of current assets increased 1,813 million yen from the end of the previous consolidated fiscal year to 13,788 million yen. This was mainly attributable to a 1,369 million yen increase in cash and cash equivalents.

The balance of non-current assets increased 1,210 million yen from the end of the previous consolidated fiscal year to 114,797 million yen. This mainly reflected a 868 million yen increase in property, plant and equipment resulting from new store openings, and a 293 million yen increase in lease and guarantee deposits.

(Liabilities)

Total liabilities decreased 3,988 million yen from the end of the previous consolidated fiscal year to 89,774 million yen.

The balance of current liabilities decreased 183 million yen from the end of the previous consolidated fiscal year to 27,539 million yen. This mainly reflected a 735 million yen increase in trade and other payables, a 286 million yen increase in other current liabilities and a 1,257 million yen decrease in income taxes payable.

The balance of non-current liabilities decreased 3,805 million yen from the end of the previous consolidated fiscal year to 62,235 million yen. This was mainly attributable to a 3,035 million yen decrease in borrowings.

(Equity)

Total equity increased 7,011 million yen from the end of the previous consolidated fiscal year to 38,811 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, a 1,006 million yen decrease in other components of equity due to the acquisition of subscription rights to shares, and an increase from the booking of 5,987 million yen profit for the period in retained earnings.

2) Cash flows

During the 3rd quarter of the consolidated fiscal year ending September 30, 2018, cash and cash equivalents (hereinafter "Cash") increased 1,369 million yen from the end of the previous consolidated fiscal year to 9,907 million yen.

The breakdown of cash flows by activities and underlying factors for the 3rd quarter of the current consolidated fiscal year is shown below.

(Cash flows from operating activities)

Cash provided by operating activities totaled 9,333 million yen (+70.6% year on year).

This mainly reflected the booking of 8,729 million yen in profit before income taxes and 3,274 million yen in depreciation and amortization, and an increase of 805 million yen in trade and other payables, alongside an increase of 192 million yen in inventories, an increase of 182 million yen in trade and other receivables, 3,995 million yen in income taxes paid and 134 million yen in interest paid.

(Cash flows from investing activities)

Cash used in investing activities came to 4,760 million yen (+11.7% year on year).

This was mainly attributable to 3,993 million yen in purchase of property, plant and equipment accompanying store openings, and to 520 million yen in payments for lease and guarantee deposits.

(Cash flows from financing activities)

Cash used in financing activities amounted to 3,185 million yen (-25.4% year on year). This mainly reflected 3,287 million yen in proceeds from exercise of subscription rights to shares, 3,126 million yen in repayments of long-term borrowings, 1,228 million yen in cash dividends paid, 1,006 million yen in payments for acquisition of subscription rights to shares and 917 million yen in repayments of lease obligations.

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

In light of factors such as group earnings for the 3rd quarter of the consolidated fiscal year ending September 30, 2018, the Company has revised its consolidated earnings forecasts for the fiscal year ending September 30, 2018. For details, please refer to the Notice of Revisions to Full-Year Earnings Forecasts released today (August 8, 2018).

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 | 3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 8,538 | 9,907 |
| Trade and other receivables | 1,214 | 1,398 |
| Inventories | 1,174 | 1,366 |
| Other financial assets | 241 | 262 |
| Other current assets | 807 | 855 |
| Total current assets | 11,975 | 13,788 |
| Non-current assets | | |
| Property, plant and equipment | 21,169 | 22,037 |
| Goodwill | 30,371 | 30,371 |
| Intangible assets | 54,550 | 54,548 |
| Lease and guarantee deposits | 6,969 | 7,262 |
| Other financial assets | 51 | 103 |
| Other non-current assets | 476 | 476 |
| Total non-current assets | 113,587 | 114,797 |
| Total assets | 125,562 | 128,585 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 16,719 | 17,455 |
| Borrowings | 4,114 | 4,127 |
| Income taxes payable | 2,028 | 771 |
| Other financial liabilities | 1,763 | 1,906 |
| Provisions | 1,179 | 1,075 |
| Other current liabilities | 1,920 | 2,205 |
| Total current liabilities | 27,722 | 27,539 |
| Non-current liabilities | | |
| Trade and other payables | — | 39 |
| Borrowings | 44,747 | 41,712 |
| Other financial liabilities | 2,489 | 1,700 |
| Provisions | 1,646 | 1,661 |
| Deferred tax liabilities | 17,104 | 17,104 |
| Other non-current liabilities | 54 | 19 |
| Total non-current liabilities | 66,040 | 62,235 |
| Total liabilities | 93,762 | 89,774 |
| Equity | | |
| Capital stock | 100 | 100 |
| Capital surplus | 13,573 | 15,863 |
| Retained earnings | 17,730 | 23,659 |
| Treasury stock | △0 | △0 |
| Other components of equity | 450 | △811 |
| Total equity attributable to owners of the parent | 31,853 | 38,811 |
| Non-controlling interests | △53 | — |
| Total equity | 31,800 | 38,811 |
| Total liabilities and equity | 125,562 | 128,585 |

(2) Condensed consolidated statement of profit and loss

(in millions, JPY)

| | 3rd quarter Ended June 30, 2017 (From October 1, 2016 to June 30, 2017) | 3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018) |
|--|--|--|
| Revenue | 114,846 | 128,044 |
| Cost of sales | △55,511 | △61,962 |
| Gross profit | 59,335 | 66,082 |
| Selling, general and administrative expenses | △52,265 | △56,704 |
| Other income | 35 | 31 |
| Other expenses | △544 | △491 |
| Operating profit | 6,562 | 8,918 |
| Finance income | 176 | 83 |
| Finance expenses | △335 | △271 |
| Profit before income taxes | 6,403 | 8,729 |
| Income taxes | △2,065 | △2,743 |
| Profit for the period | <u>4,338</u> | <u>5,986</u> |
| Profit attributable to: | | |
| Owners of the parent | 4,342 | 5,987 |
| Non-controlling interests | △4 | △1 |
| Profit for the period | <u>4,338</u> | <u>5,986</u> |
| Earnings per share | | |
| Basic earnings per share (yen) | 158.12 | 207.87 |
| Diluted earnings per share (yen) | 154.36 | 205.53 |

(3) Condensed consolidated statement of comprehensive income

(in millions, JPY)

| | 3rd quarter Ended June 30, 2017 (From October 1, 2016 to June 30, 2017) | 3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018) |
|---|--|--|
| Profit for the period | 4,338 | 5,986 |
| Other comprehensive income | | |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | △73 | △23 |
| Effective portion of changes in fair value of cash flow hedges | 92 | △6 |
| Total of items that may be reclassified subsequently to profit or loss | 20 | △30 |
| Other comprehensive income after taxes | 20 | △30 |
| Total comprehensive income for the period | <u>4,358</u> | <u>5,957</u> |
| Attributable to: | | |
| Owners of the parent | 4,366 | 5,962 |
| Non-controlling interests | △8 | △5 |
| Total comprehensive income for the period | <u>4,358</u> | <u>5,957</u> |

(4) Condensed consolidated statement of changes in equity

3rd quarter ended June 30, 2017 (From October 1, 2016 to June 30, 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, 2016 | 100 | 42,103 | 7,282 | △25,028 | 465 | 24,922 | △64 | 24,858 |
| Profit for the period | | | 4,342 | | | 4,342 | △4 | 4,338 |
| Other comprehensive income | | | | | 24 | 24 | △4 | 20 |
| Total comprehensive income | — | — | 4,342 | — | 24 | 4,366 | △8 | 4,358 |
| Deficit disposition | | △3,502 | 3,502 | | | — | | — |
| Share-based payment transactions | | | 9 | | △9 | — | | — |
| Purchase of treasury 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 | 3,492 | 25,028 | △9 | △20 | 21 | 2 |
| Balance as of June 30, 2017 | 100 | 13,573 | 15,116 | △0 | 479 | 29,268 | △51 | 29,217 |

3rd quarter ended June 30, 2018 (From October 1, 2017 to June 30, 2018)

(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 | | | 5,987 | | | 5,987 | △1 | 5,986 |
| Other comprehensive income | | | | | △26 | △26 | △4 | △30 |
| Total comprehensive income | — | — | 5,987 | — | △26 | 5,962 | △5 | 5,957 |
| Capital reduction | △1,715 | 1,715 | | | | — | | — |
| Exercise of subscription rights to shares | 1,715 | 1,811 | | | △239 | 3,287 | | 3,287 |
| Acquisition of subscription rights to shares | | | | | △1,006 | △1,006 | | △1,006 |
| Share-based payment transactions | | | 1 | | 9 | 10 | | 10 |
| 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 | — | △1,235 | 997 | 58 | 1,054 |
| Balance as of June 30, 2018 | 100 | 15,863 | 23,659 | △0 | △811 | 38,811 | — | 38,811 |

(5) Condensed consolidated statement of cash flows

(in millions, JPY)

| | 3rd quarter Ended June 30, 2017 (From October 1, 2016 to June 30, 2017) | 3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 6,403 | 8,729 |
| Depreciation and amortization | 2,866 | 3,274 |
| Impairment losses | 95 | 400 |
| Finance income | △182 | △83 |
| Finance expenses | 335 | 272 |
| Amount of rent offset by lease and guarantee deposits | 211 | 222 |
| Increase/decrease in trade and other receivables, (increase) | 148 | △182 |
| Increase/decrease in inventories, (increase) | △106 | △192 |
| Increase/decrease in trade and other payables, (decrease) | △1,670 | 805 |
| Others | △656 | 216 |
| Subtotal | 7,444 | 13,461 |
| Interest and dividend income received | 0 | 0 |
| Interest paid | △200 | △134 |
| Income taxes paid | △1,773 | △3,995 |
| Net cash from operating activities | 5,472 | 9,333 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | △3,476 | △3,993 |
| Purchase of intangible assets | △267 | △236 |
| Payments for lease and guarantee deposits | △587 | △520 |
| Others | 69 | △11 |
| Cash flows from investing activities | △4,261 | △4,760 |
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | △3,461 | △3,126 |
| Repayments of lease obligations | △785 | △917 |
| Payments for commission fees | △33 | △6 |
| Purchase of treasury stock | △0 | — |
| Proceeds from exercise of subscription rights to shares | — | 3,287 |
| Payments for acquisition of subscription rights to shares | — | △1,006 |
| Cash dividends paid | — | △1,228 |
| Others | 11 | △189 |
| Cash flows from financing activities | △4,268 | △3,185 |
| Net increase/decrease in cash and cash equivalents, (decrease) | △3,057 | 1,388 |
| Cash and cash equivalents at beginning of year | 8,149 | 8,538 |
| Effect of exchange rate changes on cash and cash equivalents | 12 | △19 |
| Cash and cash equivalents at end of year | 5,103 | 9,907 |

(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)

| | 3rd quarter Ended June 30, 2017 (From October 1, 2016 to June 30, 2017) | 3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018) |
|---|--|--|
| Profit for the period attributable to common shareholders of the parent (million yen) | 4,342 | 5,987 |
| Profit for the period attributable to common shareholders used in calculations for basic earnings per share (million yen) | 4,342 | 5,987 |
| Profit for the period attributable to common shareholders used in calculations for diluted earnings per share (million yen) | 4,342 | 5,987 |
| Average number of shares during the period | 27,458,902 | 28,801,876 |
| Increase in number of common shares used in calculation for diluted earnings per share | 668,717 | 328,926 |
| Average number of common shares during the period after dilution | 28,127,618 | 29,130,802 |
| Basic earnings per share (yen) | 158.12 | 207.87 |
| Diluted earnings per share (yen) | 154.36 | 205.53 |
| 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.