

SUSHIRO

GLOBAL HOLDINGS

Tasty sushi for all. Tasty sushi for the heart.

Annual Report

2018

Year Ended September 30, 2018



Sushiro's Mission

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.

The Sushiro Group's origins lie in the Taisushi restaurant that opened in Abeno Ward, Osaka City. The Sushiro conveyor belt (*kaiten*) sushi restaurant business that we founded in 1984 and that continues today was based on the idea of providing delicious sushi to as many people as possible. Our concept of "Tasty sushi for all. Tasty sushi for the heart." has been passed down over the years to the entire Group from our earliest days, and has been our unchanging mission, both in the past and into the future.

During the fiscal year ended September 30, 2018, in our domestic business we solidified our position as No. 1 in sales in *kaiten* sushi industry by providing fresh, attractive products to customers and strengthening our digital measures, which included boosting the convenience of our app. We also had positive results cultivating the peripheral sushi market, with our casual izakaya SUGIDAMA, a new brand, entering a growth phase. In our overseas business, we were able to establish foundations for full-fledged global expansion by bolstering our store network in Korea and entering the Taiwan market. As a result, we posted historic highs in revenue and profit while also surpassing the targets of our current Medium-Term Management Plan, the final year of which will be the fiscal year ending September 30, 2019.

In light of these results, the Sushiro Group announced a new Medium-Term Management Plan with the aim of leaping forward to be a comprehensive global sushi/Japanese cuisine dining service group with sales of JPY 1 trillion. We will continue aiming to realize our corporate philosophy, seeking to create a unique store model in Japan and overseas in which we value our relationships with the environment and local communities and work together as a truly unified Group.

December 2018



Koichi Mizutome
President & CEO
Sushiro Global Holdings Ltd.

Contents

4	History and Commitment	20	Corporate Governance
6	Financial Highlights	24	Operating Risks
8	CEO Interview	27	Management Discussion and Analysis
14	Corporate Social Responsibility	29	Consolidated Financial Statements
16	Special Feature 1 Dedication to Human Resources	34	Corporate Data
18	Special Feature 2 Acceleration of Overseas Expansion	35	Stock and Investor Information



Tuna

まぐろ
Tuna

The beautifully delicious *tenmi* red lean meat part of the tuna is less sinewy and full of genuine flavor.




Young Yellowtail

鮮魚
Fresh fish

Sea bream and young yellowtail are skinned in-store for the ultimate freshness and flavor. Sushiro is dedicated to serving the freshest fish possible.




Shrimp Tempura

揚げ
Fried

Large delicious shrimp is given a thin, crunchy coating and served hot.




Our History and Commitment

In order to realize our philosophy of "Tasty sushi for all. Tasty sushi for the heart." Sushiro remains wholly committed to providing the best sushi possible. Diners at our sushi restaurants are often surprised at the reasonable price of our sushi considering how delicious it is. As Japan's top *kaiten* sushi restaurant, Sushiro is dedicated to keeping a consistently high level of quality throughout its operations. That's why we always do our utmost to make sure we serve the tastiest sushi.



Tuna Soy Marinade

漬け
Marinade

Delicious lean tuna is marinated in a super fresh soy sauce to draw out its true flavor.




Seared Eel

炙り
Seared

Plump cooked eel is seared briefly over an open flame right before serving. The aroma is irresistible.




Sushi Rice

米
Rice

Premium rice from the paddy fields is cooked to perfection in-store, and served hot.



1984
The 1st store in Toyonaka City, Osaka Prefecture opened. Yoshio Shimizu established Sushitaro Co., Ltd.

1999
A merger took place between Sushitaro Co., Ltd. (Toyonaka City) and Sushitaro Co., Ltd. (Suita City).

2003
The Company's shares listed on the Tokyo Stock Exchange Second Section.

2011
The Company achieved the top sales in the domestic *kaiten* sushi industry.

2015
Sushiro Global Holdings Ltd. established.

2017
The Company's shares listed on the Tokyo Stock Exchange First Section.

	FY 2016/9 (From October 1, 2015 to September 30, 2016)	FY 2017/9 (From October 1, 2016 to September 30, 2017)	FY 2018/9 (From October 1, 2017 to September 30, 2018)
	(in millions, JPY)		
Revenue	147,702	156,402	174,883
Operating profit	7,509	9,204	11,718
Profit before income taxes	4,692	8,995	11,508
Profit attributable to owners of the parent	3,184	6,952	7,991
Total comprehensive income for the year attributable to owners of the parent	3,248	6,951	7,979
Total equity attributable to owners of the parent	24,922	31,853	40,835
Total assets	122,356	125,562	132,062

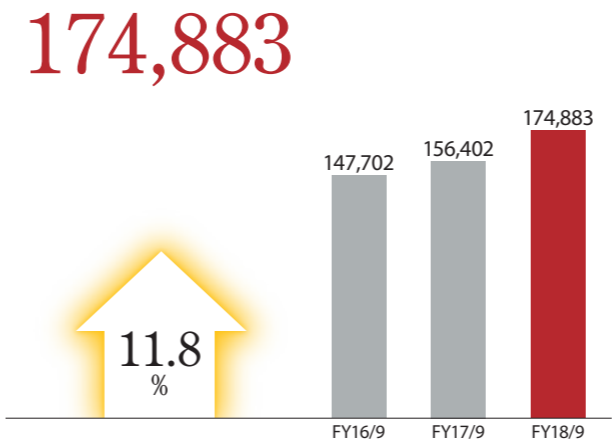
	(JPY)		
Total equity per share attributable to owners of the parent (BPS)	892.43	1,145.36	1,435.99
Basic earnings per share (EPS)	90.11	253.16	276.93
Diluted earnings per share	85.86	247.09	273.54
Return on equity (ROE) (%)	9.0	24.8	21.9
Return on assets (ROA) (%)	2.7	5.6	6.2

	(in millions, JPY)		
Cash flows from operating activities	15,215	11,574	14,744
Cash flows from investing activities	(4,581)	(5,533)	(6,398)
Cash flows from financing activities	(5,854)	(5,663)	(4,516)
Cash and cash equivalents at end of year	8,149	8,538	12,386

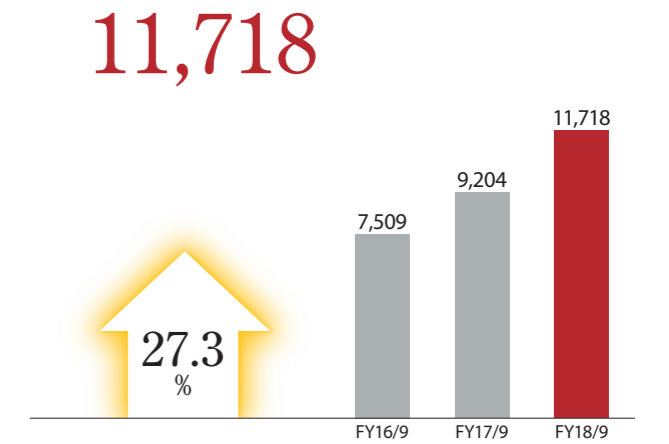
Notes:

- 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.
- 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 total equity per share attributable to owners of the parent 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 total equity attributable to owners of the parent during the period
- ROA = Profit for the year / Average of total assets during the period

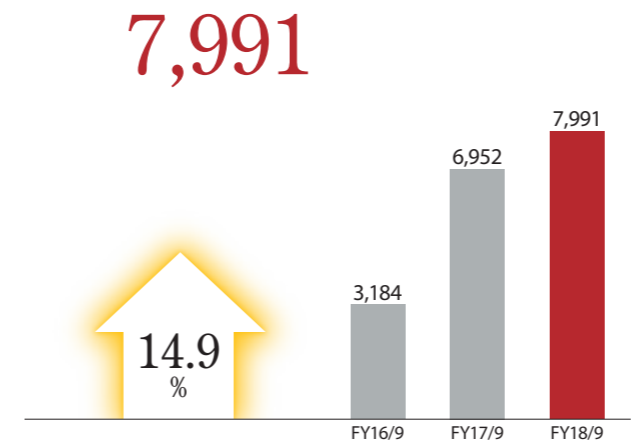
Revenue (in millions, JPY)



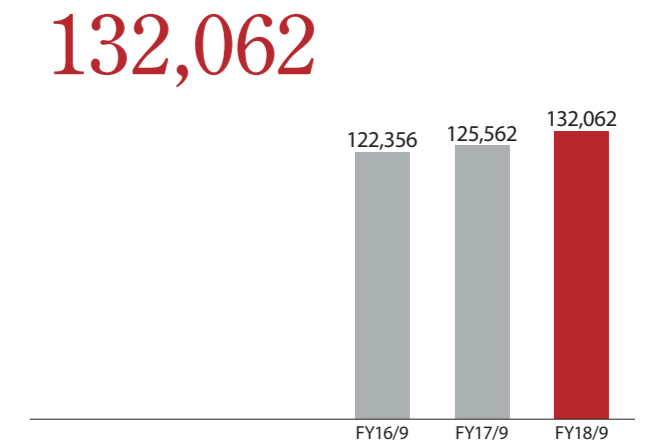
Operating profit (in millions, JPY)



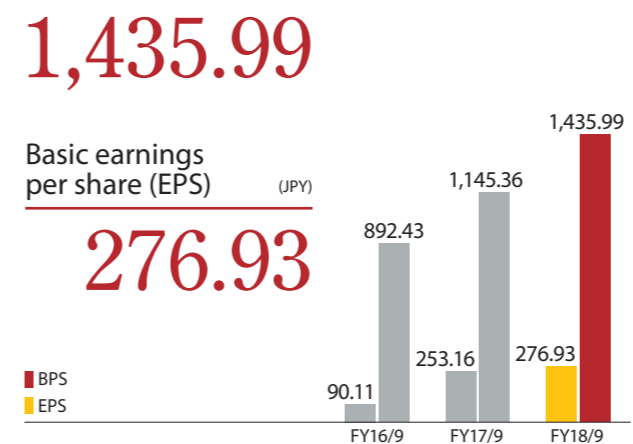
Profit attributable to owners of the parent (in millions, JPY)



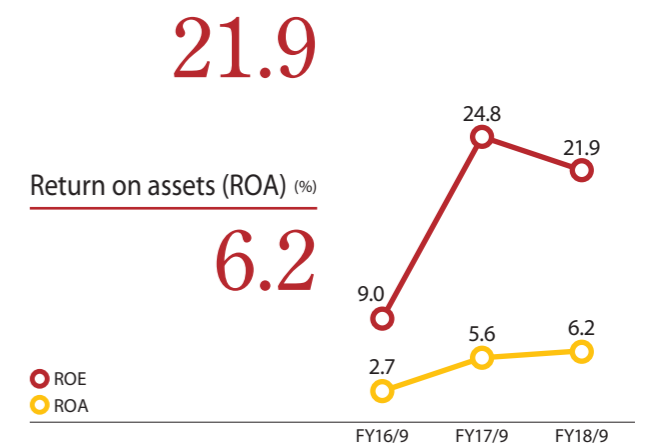
Total assets (in millions, JPY)



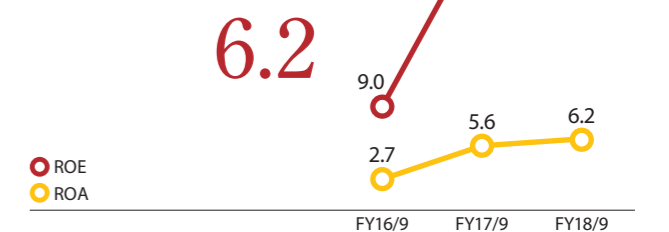
Total equity per share attributable to owners of the parent (BPS) (JPY)



Return on equity (ROE) (%)



Return on assets (ROA) (%)



Human Resources are the Source of Sushiro's Strength and Growth.

We asked President & CEO Koichi Mizutome about the Sushiro Group's business results and the new Medium-Term Management Plan.

Results and Initiatives for the Fiscal Year Under Current Market Conditions

There were no major changes to players in the *kaiten* sushi industry and Sushiro posted solid results relative to the competition. Despite certain negative elements in the industry such as reports of food poisoning from Anisakis, Sushiro was not unduly affected. For the fiscal year ended September 30, 2018, the Sushiro Group posted results that considerably exceeded start-of-term targets in both revenue and profit following steady progress in store expansion plans. We also had satisfying results in other areas such as opening a new store in Taiwan and with efforts concerning the casual Izakaya SUGIDAMA, our new brand.

Moreover, it could be said that the entire dining industry is currently struggling with the lack of part-time workers. In spite of these conditions, however, Sushiro has such an abundance of human resources that it often surprises people. I believe this stems largely from on-site store managers and assistant managers taking the time to implement an appealing style of store management.

In the past, we used a great deal of resources throughout the Company in a bid to expand the "Sushiro" brand. Going forward, however, a key challenge is to secure and foster human resources in consideration of further overseas development and expansion into new brands in addition to "Sushiro" in Japan. Rather than top management giving minute direction, ideas for new businesses are more likely to be conceived in a team consisting of staff with individual talents, that tries new things. Moreover, staff who play a central role are pushing

business along steadily overseas as well. We intend to focus even more on securing and fostering human resources such as these.

At the same time, with regard to diversity, it cannot be denied that the sushi industry tends to be male dominated. We recognize that this is also an area we haven't adequately addressed, and moving ahead, we will strive to spread our management philosophy and enhance employee education as well as recruit local staff for overseas stores and work quickly to promote participation by women. There are currently very few female store managers or assistant managers throughout our store network and we understand the need to improve diversity in order to grow into a comprehensive global sushi/Japanese cuisine dining service group.

Summary of Operating Results for the Fiscal Year Ended September 30, 2018

- Historic highs in both revenue and profit
- Profit growth rate of just under 30% despite the high-cost environment

(in millions, JPY)	FY2017		FY2018		YoY
	Actual	% in revenue	Actual	% in revenue	
Revenue	156,402	100.0%	174,883	100.0%	+11.8%
Operating Profit	9,204	5.9%	11,718	6.7%	+27.3%
Profit for the Year	6,946	4.4%	7,990	4.6%	+14.9%
Adjusted Profit for the Year*	6,473	4.1%	8,053	4.6%	+24.4%

*FY2017 includes reassessment of deferred tax asset recoverability (JPY 790 million).



New Medium-Term Management Plan (FY19-FY21)

Although the fiscal year ending September 30, 2019 is the third year of our Medium-Term Management Plan, we succeeded in achieving our initial targets by the end of the second year. In addition, this plan didn't touch on figures concerning overseas expansion or the new brands that we are currently pushing ahead with. Going forward, we need to aggressively invest in overseas expansion and new brands with a view to the next three years and communicate this plan to our shareholders and investors.

In terms of our plan as we go forward, although the focus tends to sit with overseas expansion and new brands, the sushi market in Japan alone is said to be JPY 1.5 trillion in scale. The Sushiro Group commands approximately 10%

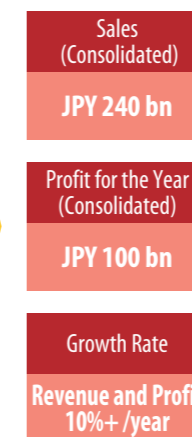
share of this market, and we have by no means hit our limit. We therefore aim to continue opening 30 new stores a year under the "Sushiro" brand in Japan to solidify our No. 1 position.

During the period, we opened three casual Izakaya SUGIDAMA stores, a new brand in Japan, following a positive response to our first Nishinomiya Kitaguchi Store in Hyogo Prefecture. Going forward, we will strive to strengthen our management system and enhance profitability while creating an extensive store network and utilizing franchises as a high-profit-making business model.

With regard to overseas development, we believe we have created foundations for expansion, with 10 stores in

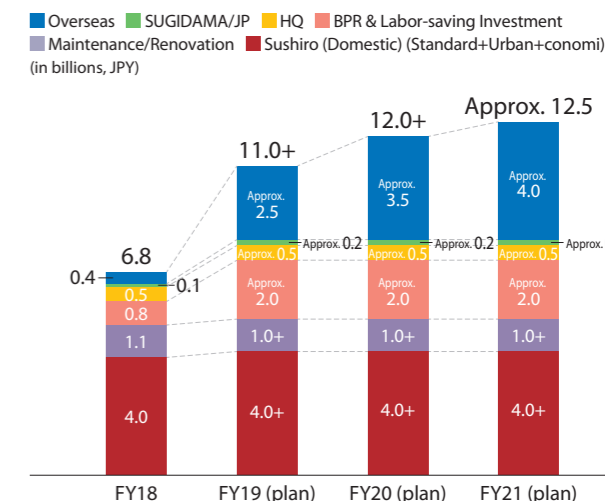
Vision of New Medium-Term Management Plan (FY19-FY21)

- 1 Continue to expand Sushiro brand* in domestic market**
⇒ Continue 30+ new openings/year
- 2 Cultivate new opportunities in other sushi-related markets with new brands**
⇒ Active expansion of SUGIDAMA brand including FC
⇒ Develop more new brands
- 3 Embark on an active overseas expansion**
⇒ Operate in 5+ countries
⇒ Overseas sales JPY 20 bn, Ratio of the number of overseas stores to domestic stores 10%+

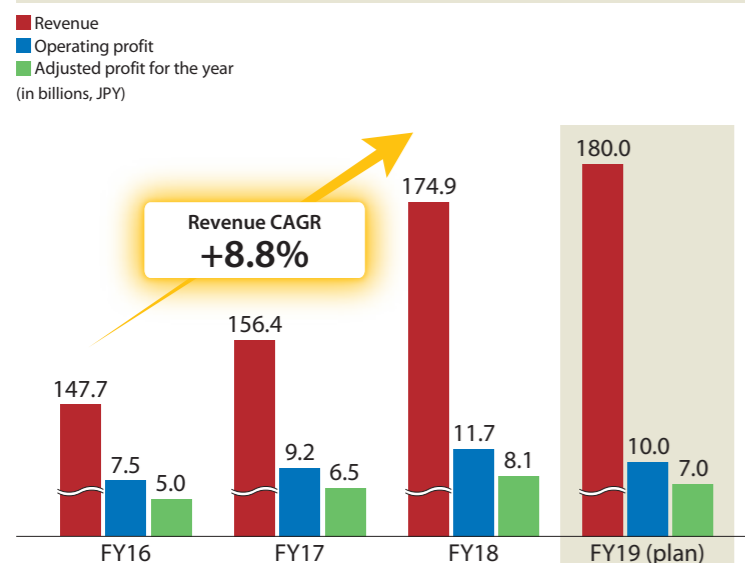


* Sushiro brand includes all 3 Sushiro models (Standard + Urban + conomi)

Advanced Investment Increases during the New Medium-Term Management Plan

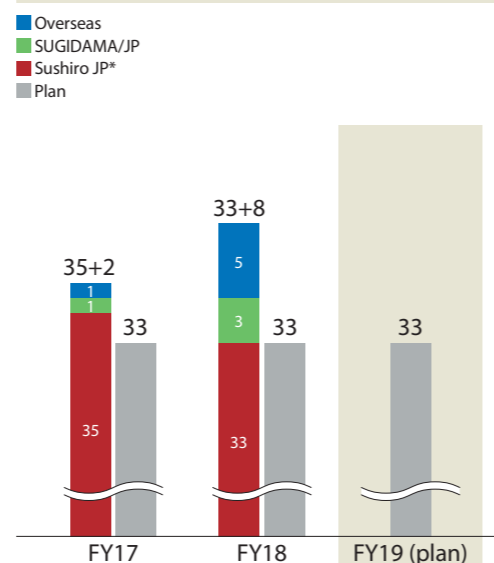


FY19 original target achieved mostly by FY18/end



* Revenue: FY16 Performance×107%³
Operating profit: FY16 Performance×110%³

Achieved with bonus openings of SUGIDAMA and Sushiro overseas



* Sushiro brand includes all 3 Sushiro models (Standard + Urban + conomi)

Korea and two in Taiwan, as of the end of the fiscal year. We will focus primarily on regions with sufficient market scale and growth potential such as Southeast Asia and also North America. We have earmarked approximately JPY 10 billion for investment over the three years of the new Medium-Term Management Plan and intend to increase the ratio of overseas stores to over 10% of our total worldwide store network.

At the same time, costs are increasing, both in terms of the work environment and on a procurement front. This isn't just a problem for Sushiro, however, and through different initiatives we are confident that we can actually use this to our advantage and cultivate a competitive edge, further extending our No. 1 position.

We will also invest around JPY 2 billion for the year on Business Process Re-engineering (BPR) and labor-saving measures in order to meet the global trend of enhancing store efficiency, for example by introducing automated check-outs where customers handle the payment process themselves and cashless payments.

After three years, we would like the Sushiro brand to

have penetrated the global market based on proven results and have the ability to drive significant growth in our new brands. As the final goal of our new Medium-Term Management Plan, we aim to become a dining service brand originating in Japan with a strong global presence and a comprehensive global sushi/Japanese cuisine dining business group commanding JPY 1 trillion in revenue that covers from sushi to its related markets.

Now, New Medium-Term, Ultimate Goal



Region	Now	New Medium-Term	Ultimate Goal
Japan	Consolidated its position as the industry leader Sushiro Brand: 500+ stores Sales LFL: 100%+	Solidify its No.1 position while expanding the business in other related markets Sushiro Brand: +100 stores / 3 yrs Expand with new brands (i.e.SUGIDAMA)	Grow to be a comprehensive global sushi/Japanese dining service group operating in <i>kaiten</i> sushi and other related markets
Overseas	Developed a foundation for expansion Korea: 10 stores Taiwan: 2 stores	Accelerate global expansion Operate in: 5+ countries Overseas sales: JPY 20 bn Ratio of overseas stores to stores in Japan: 10%+	Grow to be a dining service brand from Japan with the strong presence in global markets

Sustainability/CSR

In terms of our CSR, we believe that work itself contributes to the betterment of society. Dining can at times offer people an important lifeline. Our basic philosophy is to create places where small groups and families can enjoy delicious food in a casual setting, and we believe that this in itself contributes to society, especially in a world where dining is becoming increasingly commonplace.

Further to this, looking at the procurement of ingredients from the standpoint of primary industry, we are now approaching a generation change. In addition to the fishing industry, it's clear that the working population will decline in all primary industries as long as no new leaders come on the scene. It is possible that this issue will be resolved by corporations eventually, but this may take a long time. Since we are also a player in this industry, we aim to play our part by taking action we deem constructive.

Sushiro's procurement team won't just sit at their desks and buy what trading companies recommend. Instead, we

aim to establish a style in which we head out to the producer's site ourselves to seek out good ingredients and in certain cases even collaborate with the trading companies.

With regard to food safety and security, Sushiro has a team working on quality control. We also have a team dedicated to purchasing who follow strict procurement rules and visit suppliers' factories to determine the level of hygiene management and make sure they maintain a certain level of quality control. Moving forward, we intend to further strengthen these efforts.

For Sushiro, human resources are the keys to driving sustainable growth. Our aim is to realize our philosophy of "Tasty sushi for all. Tasty sushi for the heart." Our competitive edge lies in our ability to provide a more comfortable environment that serves more delicious food at a more reasonable price than the competition. And it is our people that make all of this possible.

Message to Employees

We have now shifted from a stage of expanding and improving Sushiro to a stage characterized by new challenges in terms of overseas development and new brands. While continuing to do the traditional areas of our job well, we also want to take on new challenges. As an example, when we opened a store in Taiwan, some of our staff raised their hands and expressed their desire to work overseas. Besides working in-store, it's good to head out and try food at different eateries and even to venture overseas, for instance. This is a great way to broaden one's horizons and increase one's knowledge base.

It's also important to have more close colleagues.

Of the 250-300 people recruited to work at our stores, around 60% transfer from part-time worker to full-time employee. I believe this is due to the temperament of our store managers and assistant managers, which makes our people want to stay on in a more official capacity. The number of store employees currently stands at around 1,400 with over 40,000 people working as part-timers. Try to pick out those people with outstanding talent and nurture them to become full-time employees. That way, you can build a team of people who are familiar with each other and can work closely together.

Message to Shareholders and Investors

Sushiro will aim to ensure even sounder management going forward. In addition to the soundness of our businesses, we will conduct perfectly honest management, including from a financial standpoint, as we look to secure profitability and make investments to drive further growth.

The Company set an annual dividend of 85 yen per share for the fiscal year ended September 30, 2018 compared with 45 yen in the previous fiscal year since this term marks the first full year following our listing on the stock market.

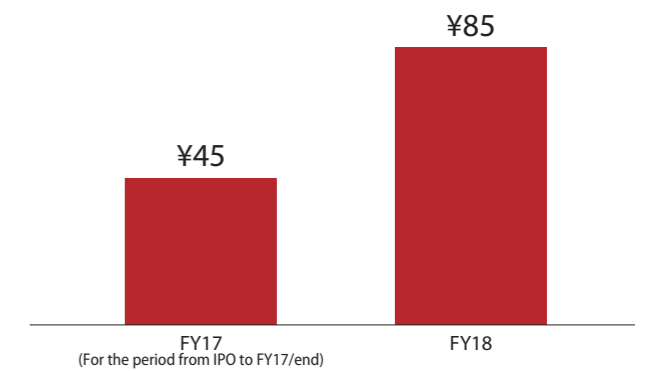
We will strive to enhance corporate value over the medium to long term while striking a balance between stable dividends and investment for future growth.

The Sushiro Group will continue working hard to meet your expectations.

Dividends

■ Paid out JPY 45 dividends for FY17. (The period between the listing date and the end of FY17 taken into account.)

■ Plans JPY 85 per-share dividends for FY18 (full-year basis).



CSR

Corporate Social Responsibility

Sushi is a business that shares the limited resources of the sea. It is also a business that connects a large number of people who transport the goodness from the sea, process it and prepare it for consumption. To continue serving tasty sushi to as many people as possible, Sushiro aims to be a company that places more value on the sea and people than anyone else. Everyone at Sushiro cherishes the wide, open sea as well as each person they encounter. We are committed to connecting the sushi culture born in Japan to the future.

Environmental Initiatives

Supporting sustainable production

It is ideal for Sushiro to have stable, long-term business partnerships with suppliers and producers so that the sourcing of ingredients is not unduly affected by market price or the market in general. We believe in the importance of supporting the sustainable business growth of one another and being a partner with a passion for the ingredients we use. We have built medium- and long-term relationships with producers, some of who have even commented that because of this they feel confident enough to pass on their business to their sons. Our hope is that Sushiro's business plays a part in protecting and nurturing Japan's fisheries and agriculture.



Waste reduction initiatives

A comprehensive management system, unique to Sushiro, that incorporates cutting-edge IT technology is used to predict what a customer wants to eat and deliver it along the conveyor belt. This allows us to reduce waste.

A patent has been obtained for Sushiro's unique technology.



We view fish as a valuable marine resource and use it with the utmost care. As an example, the meat cut from around the gills of the tuna is used in the soup for tuna soy sauce ramen and any waste generated in our stores is cleverly put to good use such as in *gunkan maki* ("battleship roll") sushi or in deep-fried dishes. We are careful not to waste any part of the food we procure, and this goes for other ingredients besides tuna. We use the head of the shrimps and offcuts of snapper in shrimp miso ramen and snapper-flavored salt-based ramen, for instance.

Initiatives for Society

Contributing to producers with "Sushiro Rice"

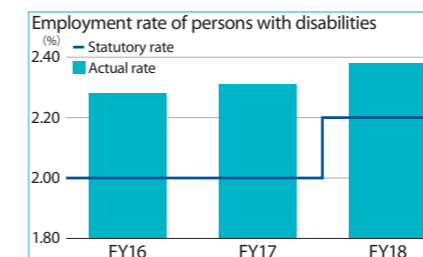
Rice is an essential ingredient. The rice we use plays another significant role. In fiscal 2011, with the full cooperation of ZEN-NOH Pearl Rice Corp., Sushiro concluded agreements with producers to make rice suitable for use in sushi specifically for our restaurants as part of our efforts to ensure the stable supply of rice and enhance its quality. Knowing that the harvested rice will be used for Sushiro's sushi boosts the motivation of the producers while also serving to safeguard rice-eating culture. Sushiro will team up with producers for a span of 5 to 10 years and work together for the future of Japan's agricultural industry.



Promoting active participation by persons with disabilities

Sushiro is dedicated to employing persons with disabilities to promote their independence and social participation, with around 200 taking on roles in our stores nationwide. We exceed the 2.2% statutory quota for the employment of persons with disabilities, with 2.38% (as of

June 2018), providing a variety of job opportunities in our store kitchen area.



Employment of foreign workers

Sushiro has close to 3,000 foreigners working at its stores throughout Japan. When hiring non-Japanese persons, we provide education on hygiene and attendance management using manuals that we have translated, as part of their orientation.

In addition, we are committed to providing labor-related education to our store managers in such areas as the Immigration Control and Refugee Recognition Act and restrictions on working hours.



Dedication to Human Resources



Kei Musumi
Procurement Department
Manager

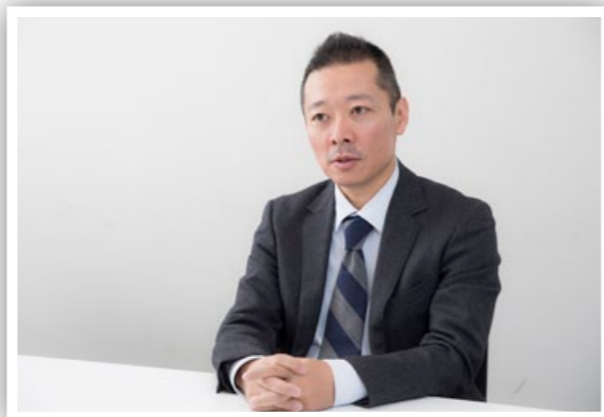
We ensure the provision of safe, delicious sushi to customers at all times.

Q : Is there anything you pay particular attention to when buying the food?

It goes without saying that the food we provide must be safe. Taste is an important consideration, too, of course. The question is how meticulous you want to be when it comes to safety and taste. There are definitely areas where compromises could be made. But it's important to be aware of this and not go down this road. I am currently making a procurement plan for the coming year and building a framework to develop products and roll them out in collaboration with advertising staff. A big part of this is procurement that ensures the provision of safe, delicious food to customers at all times.

Moreover, communication with fishermen is vital. Fishermen are at the very top of the upstream process for the dining and seafood industries, so it is very rare that our needs perfectly align. We probably approach our work in completely different ways as well. They have their own circumstances, so we try to meet them halfway. We also take steps to gain their understanding and look to

work together with a view to the future. Although fishermen are at the top of the stream, there are a lot of people in between that we talk with. This helps ensure they are willing to sell to us and choose us over the competition. If we can't be a company chosen by producers or sellers, we aren't going to be chosen by customers either. It does no good pushing things one way, like demanding discounts or higher volume. People expect us to carefully select the foods we use without making any compromises. That's the reason people come to eat sushi at our stores.



Q : What does your job entail?

I handle the procurement of everything for all of the brands under Sushiro Global Holdings, from food to plates. Before this job, I worked in sales in the seafood industry. I actually used to sell to Sushiro until joining the Company in my current position following recognition as a tuna connoisseur.

Q : What is your motivation for working at Sushiro?

Sushiro is the largest player in the sushi industry in Japan and one of the biggest in global terms. In this context, knowing that I am responsible for providing sushi to customers really motivates me. Although I don't deal directly with customers, it makes me happy procuring good food and seeing customers consume it in one of our stores, and seeing the responses to surveys on the restaurant and the number of sales made of popular products.

Sushiro takes steps to ensure its staff provide fresh, delicious sushi to customers every day. Here we feature human resources, one of the Sushiro's strength, by putting the spotlight on the people working in the field of procurement and store service.



Q : Is there anything you pay particular attention to when serving sushi?

Besides providing delicious sushi, food safety is paramount. Each person in our large team at the Ichinoe Store adheres strictly to our food safety rules every day such as adhering to the careful hand-washing process prior to entering the kitchen area. I pay careful attention as store manager to provide guidance at all times so that all staff are acutely aware of the need for these rules and so as to ensure we serve safe sushi.



Q : What does your job entail?

I first encountered Sushiro when I worked part-time as a student and around four years have passed since I joined the company. I am now a store manager primarily in charge of personnel and food. An average of 80 staff are employed at a single Sushiro store so it feels like a big responsibility to look after so many people and so much food for me in my mid-20s. For that reason, I've got to be on my toes every day.

Q : What is your motivation for working at Sushiro?

Being in charge of people and food means I have to accurately predict the future when making plans. It was frustrating at times when I was working here as a student because even if I saw an improvement that could be made in store operations I didn't have the authority to put it into effect. Now it's more motivating because as store manager I can implement what I think would be best and I also have the chance to witness when staff achieve a goal that has been set.

In addition, it's great hearing customers comment on how delicious the food is when I talk with them in the store. Customer opinion is really important to me so I always make a point of ensuring that the work we do results in the best sushi possible that is bound to satisfy and I take the time to chat with customers so I can check firsthand that we are delivering the taste we promise.

Takuya Sato
Sushiro Ichinoe Store
Manager



It's great hearing customers comment on how delicious the food is.

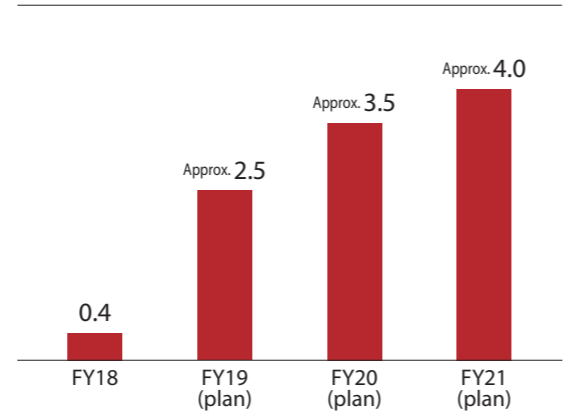
Accelerate Overseas Expansion Aiming to Become a Global Sushi/Japanese Cuisine Dining Service Group

Under our new Medium-Term Management Plan, Sushiro will push ahead in earnest with overseas expansion with the aim of becoming a global sushi/Japanese cuisine dining service group commanding JPY1 trillion in sales. In FY18, we worked to establish the foundations for expansion and we have now opened 10 stores in Korea and two in Taiwan. After FY19, using 'deliciousness' as our key competitive advantage, we will focus on three regions (East Asia, Southeast Asia and North America) with high sushi receptivity, attractive market size and growth potential.

Overseas expansion goals under the new Medium-Term Management Plan (FY19-FY21)

- Operate in 5+ countries
- Overseas revenue JPY 20 bn, Ratio of the number of overseas stores to domestic stores 10%+

Overseas store investment plan (in billions, JPY)



Overseas expansion targets and schedule

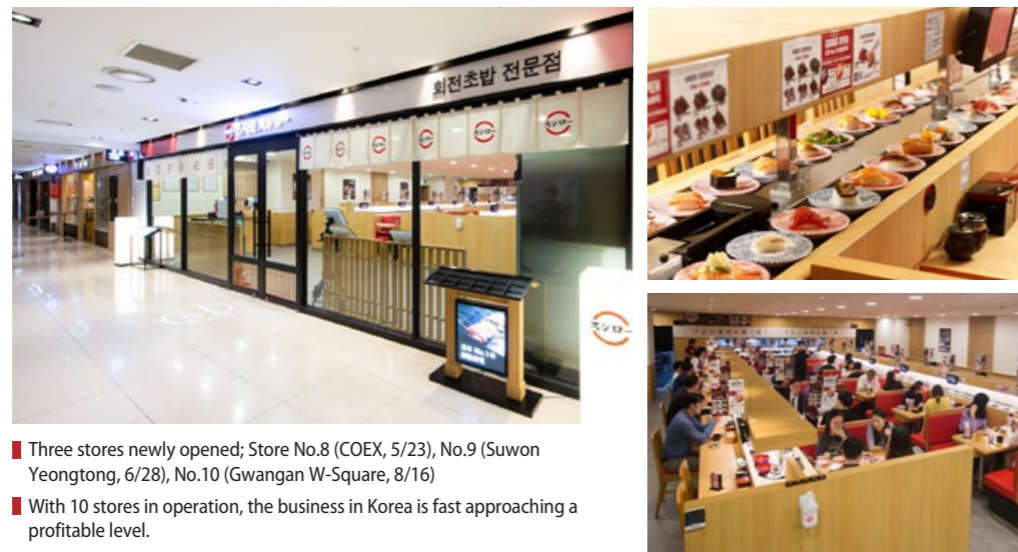
Focus Regions	Population*	Japanese Restaurants*	Market Appeal	Entry Timeline		
				Up to FY18	FY19	FY20 & After
East Asia	1,640 million	70,000	Their food cultures have high affinity for sushi cuisine. Attractive market size and growth potential.	Korea	Taiwan	Greater China
Southeast Asia	630 million			Singapore	Southeast Asia	
North America	360 million	3,000	Sushi is already well penetrated in the market. The market size as a single country is large.			North America

*Source: Ministry of Agriculture, Forestry and Fisheries "Number of Japanese Restaurants Overseas 2017," U.N. "World Population Prospects 2017"

Overseas store information

Korea

Opened 3 new locations in FY18, reaching 10 in total.



- Three stores newly opened; Store No.8 (COEX, 5/23), No.9 (Suwon Yeongtong, 6/28), No.10 (Gwangju W-Square, 8/16)
- With 10 stores in operation, the business in Korea is fast approaching a profitable level.

Taiwan

Entered Taiwan (2nd overseas) market in June. Its great performance gives a big push for rapid expansion going forward.



- The 1st store (Taipei Guanqian Lu, 6/15) and the 2nd store (Taipei Zhonghua Lu, 9/6) both opened at central locations in the city of Taipei.
- The stores have been extremely well received by the market. Plan to accelerate expansion going forward.

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

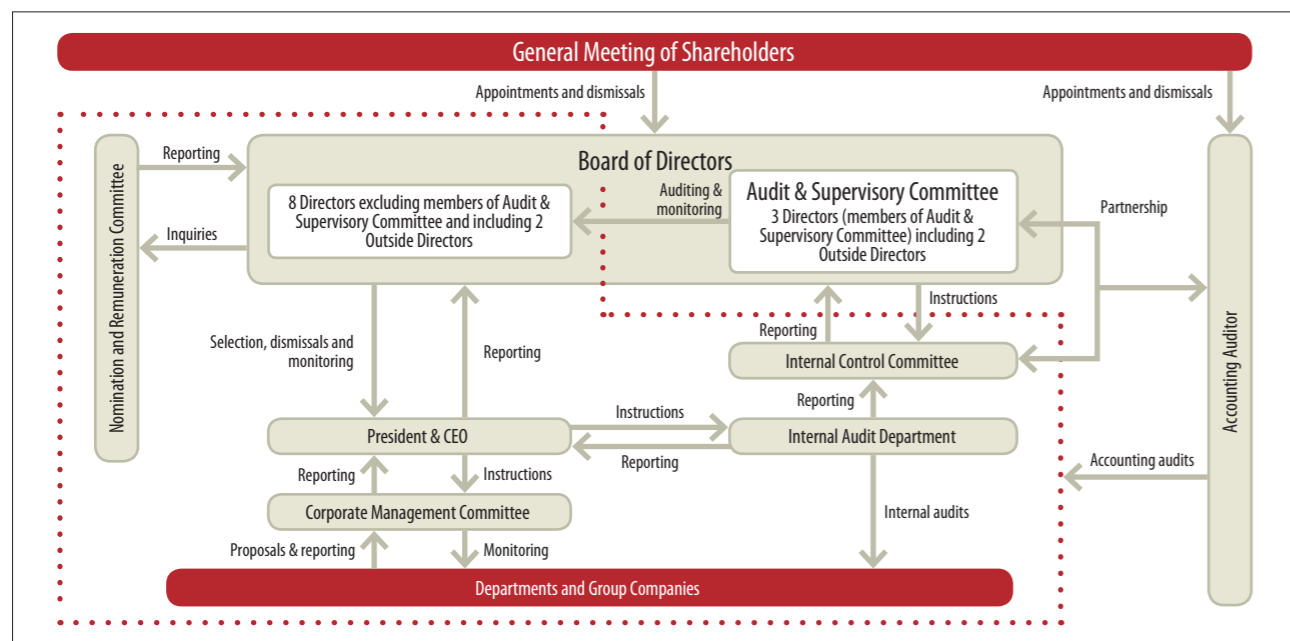
Sushiro is a "company with audit & supervisory committee." We have established the Audit & Supervisory Committee to provide a framework for supervising the Company's operations, and have strengthened the transparency and objectivity of our Board of Directors by increasing the composition ratio of Outside 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 Outside 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 Outside 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 Outside 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.



Interview with an Outside Director

Q: How do you use your managerial experience in Board of Directors meetings?

The level of the managers and staff promoting management strategy at Sushiro Global Holdings Ltd. (SGH) is truly excellent. This can be attributed to the Board of Directors meetings and the opportunity to exchange opinions with numerous personnel. It is extremely difficult for a sushi brand to expand business since this requires satisfying all stakeholders to a high degree, notably store customers, suppliers and store employees, in terms of freshness and quality control. At SGH, however, communication between divisions is exceptional in such areas as procurement, menu development and store operations, making the current business expansion possible. On the other hand, taking a long-term perspective, the domestic dining market is at risk of contraction due to Japan's dwindling population. Despite being universally loved by the Japanese, even the sushi industry cannot avoid the fallout from this. Based on my experience as a manager I've been offering my opinion on establishing a medium- to long-term growth strategy in pursuit of new growth that includes M&A, new brand development and accelerating overseas expansion as well as on human resource development policy supporting growth. I expect Sushiro to stand strong in the face of a difficult forecast for the macro environment in Japan.

Q: What do you think about Sushiro's current governance system?

At listed companies, representatives of shareholders are selected at general meetings of shareholders. These people become the voice of the shareholders, expressing opinions on management. They provide guidance so that management does not act out of selfish interest. They are the directors of the Company. From my position as an Outside Director monitoring management from an outside perspective, I would like to see the board of directors and corporate governance of SGH reach the same level that I witnessed in my previous managerial roles at Johnson & Johnson and Calbee.

Sushiro does everything it can in order to realize the corporate philosophy of "Tasty sushi for all. Tasty sushi for the heart." without making any compromises, which has culminated in the excellent results we are seeing at present. The executive officers at Sushiro are exceptional in terms of both business operations and management in Japan. As such, the directors hardly ever need to offer advice in these areas.

The challenges that ought to be addressed are bound to change, however, as Sushiro moves toward the next stage of growth. With continued foray overseas, it will be necessary to adapt the governance system and elevate it to a higher level. Simply preserving the status quo will inevitably lead to decline.

In aiming to be a bona fide global company, SGH must consider the most appropriate allocation of human resources within the organization at all times, including appropriation to supervisory functions, to truly raise its competitiveness.

Q: Can you describe what you think can be done to strengthen competitiveness from the standpoint of an Outside Director?

The various internal and external stakeholders are the key components propping up the current strong performance. Outstanding human resources are critical to SGH's business. To give an example, Sushiro plans to expand in terms of both region and scale as it advances into overseas markets, but business will be unable to progress adequately without exceptional personnel. On the other hand, even if Sushiro does manage to gather an excellent team, it will be forced to withdraw from the competition if the organization isn't managed properly. "Our Business is People Business." Although the human resources currently working at SGH are indeed exceptional, it is still important to endeavor to further innovate the successful corporate culture even as the Company advances into different business domains and overseas territories. I would like the management team to enhance both their organizational and people management skills and for Sushiro to aim to be a truly global sushi company.



Akira Matsumoto
Outside Director

》 The Functions and Roles of Outside 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.

Understanding the important role that such Outside Directors play in strengthening corporate governance, we follow a policy of appointing four of our independent directors from outside the Company. Of these, we appoint one legal professional, one corporate finance professional, and two executives who can contribute their business acumen to the benefit of the Company. Such a blend of expertise enables the Outside Directors to monitor the execution of business carefully and impartially (ensuring in particular that the interests of minority shareholders are appropriately upheld) and fulfill their

role on the Board of Directors by contributing constructive ideas and opinions about the Company's business.

Our Outside 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. Outside Directors who serve on the Audit & Supervisory Committee keep tabs on audit & 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 Outside 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.

》 Reasons for Appointment as Outside Directors

Outside Director Akira Matsumoto	Mr. Akira Matsumoto has many years of management experience and good insight as a manager. We appointed him as an Outside Director to benefit from his supervision based on his experience and insight as an expert manager, which he would be able to provide in enhancing the sustainable corporate value of the Group.
Outside Director Akira Kondo	Mr. Akira Kondo has abundant experience and an excellent track record as a manager at multiple financial institutions and business corporations. We appointed him as an Outside Director to benefit from his experience and track record for management supervision for the sustainable improvement of the Group's corporate value.
Outside Director Yumiko Ichige	Ms. Yumiko Ichige has abundant experience and broad insight as an attorney and she is familiar with corporate legal affairs. We appointed her as an Outside Director serving on the Audit & Supervisory Committee to benefit from her experience and insight.
Outside Director Yoshihiro Notsuka	Mr. Yoshihiro Notsuka has abundant experience and broad insight in accounting and finance and compliance cultivated through his experience at Santen Pharmaceutical Co., Ltd. over the years. We appointed him as an Outside Director serving on the Audit & Supervisory Committee since he has been serving as an Audit & Supervisory Board member at the company and is familiar with audit work.

None of the Outside Directors has any personal or financial interests in the company or any other conflict of interest.

》 Directors' Remuneration

Remuneration for directors (other than those on the Audit & Supervisory Committee) is determined by the Board of Directors, but the amounts are kept within the range authorized by shareholders, and in determining these amounts, the board seeks the opinion of the voluntarily established Remuneration Committee. Remuneration for members of the Audit & Supervisory Committee is, in principle, negotiated separately

with each member in compliance with applicable laws, but the amounts may also be determined by the committee as a whole if the members unanimously consent to such practice. The Company has introduced a system of performance-linked pay and stock options with the aim of motivating directors to work productively and enhance the Group's performance.

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 Outside Directors	261	128	11	116	2	3	7
Directors (audit & supervisory committee) (excludes Outside Directors)	8	8	—	—	—	—	1
External Board member	125	35	90	—	—	—	5

Notes: 1. "Stock options" includes JPY 90 million in compensation for the purchase of stock options for one director.
2. "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 dining-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 dining 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 its 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, and 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, dining-out habits, and consumption trends; brand awareness may be poor; there may be many alternative dining-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, 2018, the Japanese economy exhibited a gradual recovery supported by an uptick in consumer spending as corporate earnings and employment conditions continued to improve. However, the outlook remains clouded by factors such as trade issues between the US and China, and the rise of protectionist policies in various countries.

The restaurant sector continued to face a challenging management environment mainly owing to cost increases driven by rising raw materials prices and worker shortages, and impact from a string of natural disasters and adverse weather conditions.

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 41 new stores (domestic: 36, overseas: 5), bringing the total number of stores to 525 (domestic: 513, overseas: 12) at the end of the consolidated fiscal year ended September 30, 2018.

As a result, revenue for the consolidated fiscal year ended September 30, 2018, totaled 174,883 million yen (+11.8% year on year), operating profit 11,718 million yen (+27.3%), profit before income taxes 11,508 million yen (+27.9%), and profit for the year attributable to owners of the parent 7,991 million yen (+14.9%). In addition, adjusted profit for the year came to 8,053 million yen (+24.4%).

(2) Analysis of Operating Performance

Revenue and Gross profit

Revenue increased 18,481 million yen (up 11.8% year on year), to 174,883 million yen. This increase was primarily attributable to a sales boost generated by the opening of 41 new locations, the introduction of a topical side menu, and promotional campaigns.

Cost of sales came to 84,132 million yen, and the sales-to-cost ratio declined 0.2 points, to 48.1%. The contributing factors to this result include stable supplier costs and reduced waste.

Consequently, gross profit amount to 90,751 million yen, an increase of 9,846 million yen (up 12.2%).

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

Selling, general and administrative expenses increased 7,564 million yen (up 10.7% year on year), to 78,539 million yen. This result was primarily attributable to the increase in personnel and rent costs accompanying new store openings.

Other income decreased 50 million yen (down 42.1%), to 69 million yen. The primary cause of this result is that reversal of impairment losses decreased 16 million yen. Other expenses decreased 281 million yen (down 33.3%), to 563 million yen.

One of the main factors behind this result was the 407 million yen recorded as listing-related expenses in the previous consolidated fiscal year. The result also reflects year on year increases in impairment losses (86 million yen) and business integration-related expenses (80 million yen).

Consequently, operating profit totaled 11,718 million yen, an increase of 2,513 million yen (up 27.3%).

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

Finance income decreased 71 million yen (down 32.5% year on year), to 147 million yen. This result was primarily caused by respective declines of 38 million yen in foreign exchange gains, and 51 million yen in gain on valuation of derivatives in the previous consolidated fiscal year. Finance expenses decreased 70 million yen (down 16.5%), to 356 million yen. The factors behind this result include the fact that interest due decreased 76 million yen.

Consequently, profit attributable to owners of the parent came to 7,991 million yen, an increase of 1,039 million yen (up 14.9%).

(3) Overview of Financial Position

Assets

The balance of total assets rose 6,501 million yen from the end of the previous consolidated fiscal year, to 132,062 million yen.

The balance of current assets increased 4,553 million yen from the end of the previous consolidated fiscal year, to 16,528 million yen. This mainly reflected a 3,848 million yen increase in cash and cash equivalents and a 419 million yen increase in trade and other receivables.

The balance of non-current assets increased 1,947 million yen from the end of the previous consolidated fiscal year, to 115,534 million yen. This was mainly attributable to an increase of 1,426 million yen in property, plant and equipment resulting from new store openings and a 336 million yen increase in lease and guarantee deposits.

Liabilities

Total liabilities declined 2,535 million yen from the end of the previous consolidated fiscal year, to 91,227 million yen.

The balance of current liabilities rose 3,070 million yen from the end of the previous consolidated fiscal year, to 30,793 million yen. This mainly reflected a 1,870 million yen increase in trade and other payables, a 748 million yen increase in provisions and a 742 million yen increase in other current liabilities, alongside a 269 million yen decrease in income taxes payable.

The balance of non-current liabilities declined 5,605 million yen from the end of the previous consolidated fiscal year, to 60,435 million yen. This mainly reflected a 132 million yen increase in provisions, alongside a 4,051 million yen decrease in borrowings, a 1,042 million yen decrease in other financial liabilities, a 646 million yen decrease in deferred tax liabilities.

Equity

Total equity increased 9,035 million yen from the end of the previous consolidated fiscal year, to 40,835 million yen. This mainly reflected a 3,526 million yen increase in capital surplus resulting from the exercise of subscription rights to shares and capital reduction, a 1,236 million yen decrease from cash dividends paid, a 1,006 million yen decrease in other components of equity from the purchase of subscription rights to shares, and a 7,933 million yen increase in retained earnings from the booking of 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**(5.1) Capital sources**

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.

(5.2) Financial liquidity analysis**1. Cash flows**

In the consolidated fiscal year ended September 30, 2018, cash and cash equivalents increased 3,848 million yen year on year to 12,386 million yen.

The breakdown of cash flows by activities and underlying factors for the consolidated fiscal year ended September 30, 2018, is shown below.

Cash flow from operating activities

Net cash from operating activities totaled 14,744 million yen (up 27.4% year on year).

This mainly reflected the booking of 11,508 million yen in profit before income taxes, 4,425 million yen in depreciation and amortization and 461 million yen in impairment losses, and a 1,666 million yen increase in trade and other payables, alongside a 415 million yen increase in trade and other receivables, a 173 million yen increase in inventories, 176 million yen in interest paid and 4,429 million yen in income taxes paid.

Cash flow from investing activities

Net cash used in investing activities came to 6,398 million yen (up 15.6% year on year).

This was mainly attributable to 5,464 million yen in purchase of property, plant and equipment accompanying new store openings, and to 632 million yen in payments for lease and guarantee deposits.

Cash flow from financing activities

Cash used in financing activities amounted to 4,516 million yen (down 20.3% year on year). This mainly reflected 3,287 million yen proceeds from the exercise of subscription rights to shares, 4,168 million yen in repayments of long-term borrowings, 1,205 million yen in repayments of lease obligations, 1,006 million yen in purchase of subscription rights to shares and 1,229 million yen in cash dividends paid.

2. Differences in the key accounting treatments concerning financial performance

The following describes differences between the key accounting treatments for financial statements under IFRS and their corresponding treatments under Japan's Generally Accepted Accounting Principles (J-GAAP).

Goodwill and Intangible assets

Under J-GAAP, goodwill is reported for a defined period using the straight-line method. Under IFRS, goodwill is differentiated from distinguishable assets. Additionally, IFRS treats goodwill as well as intangible assets with no fixed service life as non-depreciable.

Accordingly, under IFRS, selling, general and administrative expenses declined by 3,517 million yen in the previous consolidated fiscal year and by the same amount in the consolidated fiscal year under review.

Note:

Adjusted profit for the year = Profit for the year + Management advisory fees based on management advisory agreement + Listing-related costs + Expenses related to management integration + Refinancing costs + Tax effect adjustments, etc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, JPY)

Fiscal Year Ended
September 30, 2017Fiscal Year Ended
September 30, 2018

	Fiscal Year Ended September 30, 2017	Fiscal Year Ended September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	8,538	12,386
Trade and other receivables	1,214	1,634
Inventories	1,174	1,343
Other financial assets	241	280
Other current assets	807	886
Total current assets	11,975	16,528
Non-current assets:		
Property, plant and equipment	21,169	22,595
Goodwill	30,371	30,371
Intangible assets	54,550	54,688
Lease and guarantee deposits	6,969	7,304
Other financial assets	51	108
Other non-current assets	476	467
Total non-current assets	113,587	115,534
Total assets	125,562	132,062
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	16,719	18,589
Borrowings	4,114	4,132
Income taxes payable	2,028	1,759
Other financial liabilities	1,763	1,724
Provisions	1,179	1,927
Other current liabilities	1,920	2,662
Total current liabilities	27,722	30,793
Non-current liabilities:		
Trade and other payables	—	39
Borrowings	44,747	40,696
Other financial liabilities	2,489	1,447
Provisions	1,646	1,778
Deferred tax liabilities	17,104	16,459
Other non-current liabilities	54	16
Total non-current liabilities	66,040	60,435
Total liabilities	93,762	91,227
Equity		
Capital stock	100	100
Capital surplus	13,573	15,863
Retained earnings	17,730	25,663
Treasury stock	(0)	(0)
Other components of equity	450	(790)
Total equity attributable to owners of the parent	31,853	40,835
Non-controlling interests	(53)	—
Total equity	31,800	40,835
Total liabilities and equity	125,562	132,062

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in millions, JPY)

	Fiscal Year Ended September 30, 2017 <small>(From October 1, 2016 to September 30, 2017)</small>	Fiscal Year Ended September 30, 2018 <small>(From October 1, 2017 to September 30, 2018)</small>
Revenue	156,402	174,883
Cost of sales	(75,498)	(84,132)
Gross profit	80,905	90,751
Selling, general and administrative expenses	(70,976)	(78,539)
Other income	119	69
Other expenses	(844)	(563)
Operating profit	9,204	11,718
Finance income	217	147
Finance expenses	(427)	(356)
Profit before income taxes	8,995	11,508
Income taxes	(2,049)	(3,518)
Profit for the year	6,946	7,990
Profit attributable to:		
Owners of the parent	6,952	7,991
Non-controlling interests	(6)	(1)
Profit for the year	6,946	7,990
Earnings per share:		
Basic earnings per share	253.16	276.93
Diluted earnings per share	247.09	273.54

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions, JPY)

	Fiscal Year Ended September 30, 2017 <small>(From October 1, 2016 to September 30, 2017)</small>	Fiscal Year Ended September 30, 2018 <small>(From October 1, 2017 to September 30, 2018)</small>
Profit for the year	6,946	7,990
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(80)	(11)
Effective portion of changes in fair value of cash flow hedges	74	(5)
Total of items that may be reclassified subsequently to profit or loss	(6)	(15)
Other comprehensive income after taxes	(6)	(15)
Total comprehensive income for the year	6,940	7,975
Attributable to:		
Owners of the parent	6,951	7,979
Non-controlling interests	(11)	(5)
Total comprehensive income for the year	6,940	7,975

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 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
Profit for the year			7,991			7,991	(1)	7,990
Other comprehensive income					(11)	(11)	(4)	(15)
Total comprehensive income	—	—	7,991	—	(11)	7,979	(5)	7,975
Capital reduction	(1,715)	1,715				—		—
Exercise of share acquisition rights	1,715	1,811			(239)	3,287		3,287
Purchase of share acquisition rights					(1,006)	(1,006)		(1,006)
Share-based payment transactions			1		16	17		17
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)	—	(1,229)	1,003	58	1,061
Balance as of September 30, 2018	100	15,863	25,663	(0)	(790)	40,835	—	40,835

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions, JPY)

Fiscal Year Ended
September 30, 2017
(From October 1, 2016 to
September 30, 2017)Fiscal Year Ended
September 30, 2018
(From October 1, 2017 to
September 30, 2018)

	Fiscal Year Ended September 30, 2017 (From October 1, 2016 to September 30, 2017)	Fiscal Year Ended September 30, 2018 (From October 1, 2017 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	8,995	11,508
Depreciation and amortization	3,904	4,425
Impairment losses	375	461
Finance income	(223)	(145)
Finance expenses	427	356
Amount of rent offset by lease and guarantee deposits	283	297
Increase / decrease in trade and other receivables, (increase)	(305)	(415)
Increase / decrease in inventories, (increase)	(74)	(173)
Increase / decrease in trade and other payables, (increase)	(139)	1,666
Others	306	1,368
Subtotal	13,549	19,348
Interest and dividend income received	1	0
Interest paid	(248)	(176)
Income taxes paid	(1,729)	(4,429)
Net cash from operating activities	11,574	14,744
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,547)	(5,464)
Purchase of intangible assets	(295)	(294)
Payments for lease and guarantee deposits	(837)	(632)
Others	145	(8)
Cash flows from investing activities	(5,533)	(6,398)
Cash flows from financing activities		
Repayments of long-term borrowings	(4,503)	(4,168)
Repayments of lease obligations	(1,075)	(1,205)
Payments for commission fees	(35)	(9)
Increase / decrease in treasury stock, (decrease)	(0)	—
Proceeds from exercise of subscription rights to shares	—	3,287
Payments for acquisition of subscription rights to shares	—	(1,006)
Cash dividends paid	—	(1,229)
Others	(50)	(186)
Cash flows from financing activities	(5,663)	(4,516)
Net Increase / decrease in cash and cash equivalents, (decrease)	377	3,830
Cash and cash equivalents at beginning of year	8,149	8,538
Effect of exchange rate changes on cash and cash equivalents	12	18
Cash and cash equivalents at end of year	8,538	12,386

Company Outline (As of September 30, 2018)

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	1,632 (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 Creative Dining Ltd. Sushiro Korea, Inc. Sushiro Taiwan Co., Ltd.

Board of Directors (As of December 20, 2018)

President & CEO	Koichi Mizutome
Director	Yoshihito Kinoshita
Director	You Horie
Director	Kohei Nii
Director	Mitsuo Fujio
Director	Katsufumi Ajima
Director	Akira Matsumoto
Director	Akira Kondo
Director (Audit & Supervisory Committee Member)	Yoshihiro Notsuka
Director (Audit & Supervisory Committee Member)	Kenichi Toyosaki
Director (Audit & Supervisory Committee Member)	Yumiko Ichige

Note: Akira Matsumoto, Akira Kondo, Yoshihiro Notsuka and Yumiko Ichige are Outside Directors.

Stock Information (As of September 30, 2018)

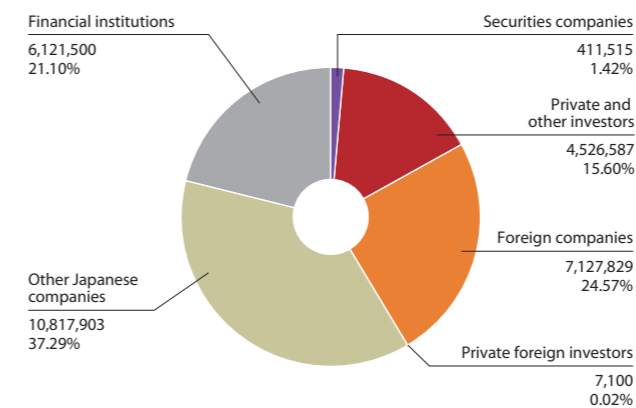
Total number of authorized shares	109,000,000 shares
Total number of issued shares	29,012,496 shares
Number of shareholders	25,805

Major Shareholders (top 5) (As of September 30, 2018)

	Shares held (1,000 shares)	Shareholding ratio (%)
SHINMEI Holdings Co., LTD	9,493	32.72
The Master Trust Bank of Japan, Ltd. (trust)	1,532	5.28
Japan Trustee Services Bank, Ltd. (trust)	1,450	4.99
National Federation of Agricultural Cooperative Associations	1,111	3.82
HSBC-FUND SERVICES CLIENTS A/C 500 HKMPF 10PCT POOL	453	1.56

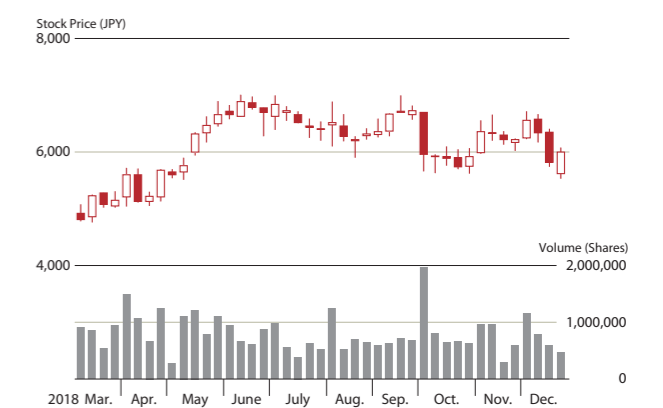
Note: Shareholding ratio is calculated based on the total number of issued shares excluding treasury shares (62 shares).

Shareholder Composition (As of September 30, 2018)



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



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 dining 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, 2018) for the fiscal year ended September 30, 2018. When appropriate, however, information from outside this period is included, as when citing past circumstances and data or using recent examples for illustration purposes.