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## Consolidated Financial Results for the 2nd Quarter Ended March 31, 2019 [IFRS]

May 10, 2019

Listed company name: Sushiro Global Holdings Ltd. Listed stock exchange: TSE  
 Securities code: 3563 URL: <http://www.sushiroglobalholdings.com>  
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 Scheduled filing date to file Quarterly Securities Report: May 13, 2019 Scheduled date to commence dividend payment: -  
 Supplementary briefing materials on quarterly financial results prepared: Yes  
 Quarterly financial results presentation meeting held: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the 2nd quarter Ended March 31, 2019 (October 1, 2018 to March 31, 2019)

(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	%
2nd quarter Ended March 31, 2019	96,539	14.0	7,752	33.0	7,657	33.9	4,954	25.6	4,954	25.5	4,858	24.0
2nd quarter Ended March 31, 2018	84,696	10.2	5,829	31.6	5,721	30.9	3,945	32.1	3,946	32.1	3,916	30.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2nd quarter Ended March 31, 2019	170.75	168.94
2nd quarter Ended March 31, 2018	137.51	136.02

Reference: Adjusted profit for the period: 2nd quarter ended March 31, 2019: 4,979 million yen (+ 24.4 % year on year)  
 2nd quarter ended March 31, 2018: 4,001 million yen

Notes:

- 1) The Company uses adjusted profit for the period as an important management indicator. For more information about this indicator, refer to (2) and (3) under "Explanation of Proper Use of Financial Forecasts, and Other Special Matters."

### (2) 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	%
2nd quarter Ended March 31, 2019	131,322	42,763	42,763	32.5
Fiscal Year Ended September 30, 2018	132,062	40,835	40,835	31.5

## 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, 2018	Yen -	Yen 0.00	Yen -	Yen 85.00	Yen 85.00
Fiscal Year Ending September 30, 2019	-	0.00			
Fiscal Year Ending September 30, 2019 (forecast)			-	85.00	85.00

Notes:

1) Revisions to the most recently announced dividend forecasts: No

## 3. Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2019 (October 1, 2018 to September 30, 2019)

(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, 2019	192,521	10.1	12,565	7.2	12,328	7.1	7,911	(1.0)	7,911	(1.0)	272.68

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

\* Notes:

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

New: –

Excluded: –

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

1) Changes in accounting policies required by IFRS: YES

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)	2nd quarter Ended March 31,2019	29,012,496 shares	Fiscal year Ended September 30, 2018	29,012,496 shares
b. Number of treasury shares at the end of the period	2nd quarter Ended March 31,2019	62 shares	Fiscal year Ended September 30, 2018	62 shares
c. Average number of shares during the period (cumulative from the start of the fiscal year)	2nd quarter Ended March 31,2019	29,012,434 shares	2nd quarter Ended March 31,2018	28,696,597 shares

- \* 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 + Expenses related to management integration + Expenses related to acquisition of subscription rights to shares + Tax effect adjustments, etc.

- (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 expenses related to a management integration under discussion with Genki Sushi Co., Ltd. and expenses related to the acquisition of subscription rights to shares.

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 2nd quarter of the consolidated fiscal year ending September 30, 2019, the Japanese economy maintained a gradual recovery trend amid continued improvement in corporate earnings and the employment and income environment. However, the economic outlook remains clouded by factors such as the developments in U.S.-China trade problems and the outlook for the Chinese economy.

The restaurant sector still continued to face a challenging management environment distinguished by rising personnel expenses driven by labor shortages, soaring raw material expenses, and increasingly budget-minded consumers.

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 15 new stores (domestic: 13, overseas: 2) and closed 3 stores (domestic: 3), bringing the total number of stores to 537 (domestic: 523, overseas: 14) at the end of the 2nd quarter of the consolidated fiscal year ending September 30, 2019.

As a result, revenue for the 2nd quarter of the current consolidated fiscal year totaled 96,539 million yen (+14.0% year on year), operating profit 7,752 million yen (+33.0% year on year), profit before income taxes 7,657 million yen (+33.9% year on year), and profit for the period attributable to owners of the parent 4,954 million yen (+25.5% year on year).

In addition, adjusted profit for the period came to 4,979 million yen (+24.4% year on year).

Notes: Adjusted profit for the period = Profit for the period + Expenses related to acquisition of subscription rights to shares + Tax effect adjustments, etc.

### (2) Explanation of financial position

#### 1) Assets, liabilities and equity

##### (Assets)

The balance of total assets decreased 741 million yen from the end of the previous consolidated fiscal year to 131,322 million yen.

The balance of current assets decreased 1,195 million yen from the end of the previous consolidated fiscal year to 15,333 million yen. This was mainly attributable to a 1,859 million yen decrease in cash and cash equivalents.

The balance of non-current assets increased 454 million yen from the end of the previous consolidated fiscal year to 115,988 million yen. This mainly reflected a 370 million yen increase in property, plant and equipment resulting from new store openings, and a 295 million yen increase in lease and guarantee deposits, alongside a 139 million yen decrease in Intangible assets.

##### (Liabilities)

Total liabilities decreased 2,669 million yen from the end of the previous consolidated fiscal year to 88,559 million yen.

The balance of current liabilities decreased 255 million yen from the end of the previous consolidated fiscal year to 30,537 million yen. This mainly reflected a 517 million yen increase in trade and other payables, alongside a 324 million yen decrease in income taxes payable, a 297 million yen decrease in provisions and a 147 million yen decrease in Other current liabilities.

The balance of non-current liabilities decreased 2,413 million yen from the end of the previous consolidated fiscal year to 58,021 million yen. This was mainly attributable to a 2,034 million yen decrease in borrowings and a 467 million yen decrease.

##### (Equity)

Total equity increased 1,928 million yen from the end of the previous consolidated fiscal year to 42,763 million yen. This mainly reflected a 116 million yen decrease in capital surplus from cash dividends paid, a 2,350 million yen decrease in retained earnings from cash dividends paid, a 1,333 million yen decrease from extinguishment of subscription rights to shares, the booking of 4,954 million yen in profit for the period, a 1,764 million yen increase in other components of equity from retirement of subscription rights to shares and a 913 million yen decrease from acquisition of subscription rights to shares.

## 2) Cash flows

During the 2nd quarter of the consolidated fiscal year ending September 30, 2019, cash and cash equivalents (hereinafter "Cash") decreased 1,859 million yen from the end of the previous consolidated fiscal year to 10,527 million yen.

The breakdown of cash flows by activities and underlying factors for the 2nd quarter of the current consolidated fiscal year is shown below.

### (Cash flows from operating activities)

Cash provided by operating activities totaled 7,465 million yen (+24.6% year on year).

This mainly reflected the booking of 7,657 million yen in profit before income taxes and 2,322 million yen in depreciation and amortization, and an increase of 724 million yen in trade and other payables, alongside an increase of 488 million yen in trade and other receivables, an increase of 119 million yen in inventories, 78 million yen in interest paid, and 2,580 million yen in income taxes paid.

### (Cash flows from investing activities)

Cash used in investing activities came to 3,308 million yen (+12.6% year on year).

This was mainly attributable to 2,665 million yen in purchase of property, plant and equipment accompanying store openings, 200 million yen in purchase of intangible assets and 479 million yen in payments for lease and guarantee deposits.

### (Cash flows from financing activities)

Cash used in financing activities amounted to 5,997 million yen (+622.4% year on year). This mainly reflected 2,084 million yen in repayments of long-term borrowings, 535 million yen in repayments of lease obligations, 945 million yen in acquisition of subscription rights to shares and 2,463 million yen in cash dividends paid.

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

There are no changes to the consolidated earnings forecasts announced on November 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, 2018	2nd quarter Ended March 31, 2019 (From October 1, 2018 to March 31, 2019)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	12,386	10,527
Trade and other receivables	1,634	2,116
Inventories	1,343	1,460
Other financial assets	280	289
Other current assets	886	941
Total current assets	16,528	15,333
Non-current assets		
Property, plant and equipment	22,595	22,965
Goodwill	30,371	30,371
Intangible assets	54,688	54,549
Lease and guarantee deposits	7,304	7,599
Other financial assets	108	50
Other non-current assets	467	453
Total non-current assets	115,534	115,988
Total assets	132,062	131,322
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	18,589	19,106
Borrowings	4,132	4,140
Income taxes payable	1,759	1,435
Other financial liabilities	1,724	1,710
Provisions	1,927	1,630
Other current liabilities	2,662	2,516
Total current liabilities	30,793	30,537
Non-current liabilities		
Trade and other payables	39	36
Borrowings	40,696	38,662
Other financial liabilities	1,447	980
Provisions	1,778	1,869
Deferred tax liabilities	16,459	16,459
Other non-current liabilities	16	15
Total non-current liabilities	60,435	58,021
Total liabilities	91,227	88,559
Equity		
Capital stock	100	100
Capital surplus	15,863	15,747
Retained earnings	25,663	26,941
Treasury stock	(0)	(0)
Other components of equity	(790)	(25)
Total equity attributable to owners of the parent	40,835	42,763
Non-controlling interests	-	-
Total equity	40,835	42,763
Total liabilities and equity	132,062	131,322

## (2) Condensed consolidated statement of profit and loss

(in millions, JPY)

	2nd quarter Ended March 31, 2018 (From October 1, 2017 to March 31, 2018)	2nd quarter Ended March 31, 2019 (From October 1, 2018 to March 31, 2019)
Revenue	84,696	96,539
Cost of sales	(41,266)	(46,691)
Gross profit	43,431	49,848
Selling, general and administrative expenses	(37,396)	(41,965)
Other income	19	66
Other expenses	(225)	(197)
Operating profit	5,829	7,752
Finance income	76	71
Finance expenses	(184)	(166)
Profit before income taxes	5,721	7,657
Income taxes	(1,775)	(2,703)
Profit for the period	<u>3,945</u>	<u>4,954</u>
Profit attributable to:		
Owners of the parent	3,946	4,954
Non-controlling interests	(1)	-
Profit for the period	<u>3,945</u>	<u>4,954</u>
Earnings per share		
Basic earnings per share (yen)	137.51	170.75
Diluted earnings per share (yen)	136.02	168.94

## (3) Condensed consolidated statement of comprehensive income

(in millions, JPY)

	2nd quarter Ended March 31, 2018 (From October 1, 2017 to March 31, 2018)	2nd quarter Ended March 31, 2019 (From October 1, 2018 to March 31, 2019)
Profit for the period	3,945	4,954
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(27)	(47)
Effective portion of changes in fair value of cash flow hedges	(2)	(49)
Total of items that may be reclassified subsequently to profit or loss	(29)	(96)
Other comprehensive income after taxes	(29)	(96)
Total comprehensive income for the period	<u>3,916</u>	<u>4,858</u>
Attributable to:		
Owners of the parent	3,921	4,858
Non-controlling interests	(5)	-
Total comprehensive income for the period	<u>3,916</u>	<u>4,858</u>

## (4) Condensed consolidated statement of changes in equity

2nd quarter ended March 31, 2018 (From October 1, 2017 to March 31, 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			3,946			3,946	(1)	3,945
Other comprehensive income					(25)	(25)	(4)	(29)
Total comprehensive income	-	-	3,946	-	(25)	3,921	(5)	3,916
Capital reduction	(1,715)	1,715				-		-
Exercise of subscription rights to shares	1,715	1,811			(239)	3,287		3,287
Share-based payment transactions			1		3	4		4
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)	-	(236)	1,996	58	2,054
Balance as of March 31, 2018	100	15,863	21,618	(0)	189	37,770	-	37,770

2nd quarter ended March 31, 2019 (From October 1, 2018 to March 31, 2019)

(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, 2018	100	15,863	25,663	(0)	(790)	40,835	-	40,835
Profit for the period			4,954			4,954		4,954
Other comprehensive income					(96)	(96)		(96)
Total comprehensive income	-	-	4,954	-	(96)	4,858	-	4,858
Acquisition of subscription rights to shares					(913)	(913)		(913)
Retirement of subscription rights to treasury shares			(1,333)		1,764	430		430
Share-based payment transactions			8		11	19		19
Dividends		(116)	(2,350)			(2,466)		(2,466)
Total transactions with the owners	-	(116)	(3,676)	-	862	(2,929)	-	(2,929)
Balance as of March 31, 2019	100	15,747	26,941	(0)	(25)	42,763	-	42,763

## (5) Condensed consolidated statement of cash flows

(in millions, JPY)

	2nd quarter Ended March 31, 2018 (From October 1, 2017 to March 31, 2018)	2nd quarter Ended March 31, 2019 (From October 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	5,721	7,657
Depreciation and amortization	2,144	2,322
Impairment losses	147	120
Finance income	(76)	(71)
Finance expenses	184	163
Amount of rent offset by lease and guarantee deposits	148	150
Increase/decrease in trade and other receivables, (increase)	(317)	(488)
Increase/decrease in inventories, (increase)	(186)	(119)
Increase/decrease in trade and other payables, (decrease)	897	724
Others	(45)	(335)
Subtotal	8,617	10,122
Interest and dividend income received	0	1
Interest paid	(91)	(78)
Income taxes paid	(2,536)	(2,580)
Net cash from operating activities	5,991	7,465
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,392)	(2,665)
Purchase of intangible assets	(134)	(200)
Payments for lease and guarantee deposits	(397)	(479)
Others	(17)	36
Cash flows from investing activities	(2,939)	(3,308)
Cash flows from financing activities		
Repayments of long-term borrowings	(2,084)	(2,084)
Repayments of lease obligations	(611)	(535)
Payments for commission fees	(4)	(4)
Proceeds from exercise of subscription rights to shares	3,287	-
Payment for acquisition of subscription rights to shares	-	(945)
Cash dividends paid	(1,227)	(2,463)
Others	(191)	36
Cash flows from financing activities	(830)	(5,997)
Net increase/decrease in cash and cash equivalents, (decrease)	2,221	(1,840)
Cash and cash equivalents at beginning of year	8,538	12,386
Effect of exchange rate changes on cash and cash equivalents	(17)	(19)
Cash and cash equivalents at end of year	10,743	10,527

(6) Notes on condensed consolidated financial statements

(Notes regarding assumption of a going concern)

Not applicable.

(Changes in accounting policies)

Important accounting policies applied to these condensed quarterly consolidated financial statements are the same as the accounting policies applied to the consolidated financial statements for the previous consolidated fiscal year, except for the standards shown below.

In addition, income tax expenses for the 1st quarter of the consolidated fiscal year ending September 30, 2019 were calculated based on the estimated annual effective tax rate.

The Sushiro Group has applied the following standards from the 1st quarter of the consolidated fiscal year ending September 30, 2019.

Standard	Standard name	Summary of new standards and amendments
IFRS 9	“Financial Instruments”	Amendments with regard to the classification, measurement, impairment, and hedge accounting of financial assets and financial liabilities
IFRS 15	“Revenue from Contracts with Customers”	Amendments with regard to accounting treatment of revenue recognition

(1) Application of IFRS 9 “Financial Instruments”

The Sushiro Group has applied the IFRS 9 “Financial Instruments” standard from the 1st quarter of the consolidated fiscal year ending September 30, 2019. In applying the new standard, it has adopted a transitional measure under which figures for the previous consolidated fiscal year are not restated.

The impact of the application of the new standard on the group’s condensed quarterly consolidated financial statements is negligible.

(2) Application of IFRS 15 “Revenue from Contracts with Customers”

The Sushiro Group has applied the IFRS 15 “Revenue from Contracts with Customers” standard from the 1st quarter of the consolidated fiscal year ending September 30, 2019. In applying the new standard, it has adopted a method that recognizes the cumulative effect of the application of the standard as of the initial date of application, which is accepted as a transitional measure.

In accordance with the application of IFRS 15, the group recognizes revenue based on the following five-step approach.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

(A performance obligation may be satisfied at a point in time or over time.)

The Sushiro Group operates *kaiten-sushi* (conveyor belt-style sushi) restaurants as its core business. It believes that customers obtain control and that its performance of obligations is satisfied at the time it provides dishes, and therefore recognizes revenue upon such provision.

In addition, the group measures revenue at the consideration promised in contracts with customers, less discounts and other items.

The impact of the application of the new standards on the group’s condensed quarterly consolidated financial statements is negligible.

(Segment information)

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

(Selling, general and administrative expenses)

The breakdown of selling, general and administrative expenses is as shown below.

	2nd quarter ended March 31, 2018 (From October 1, 2017 to March 31, 2018)	2nd quarter ended December 31, 2019 (From October 1, 2018 to March 31, 2019)
Employee benefits	23,346	26,261
Rents	3,903	4,273
Depreciation and amortization	2,102	2,280
Utilities expenses	1,929	2,090
Other	6,117	7,061
Total	37,396	41,965

(Earnings per share)

	2nd quarter Ended March 31, 2018 (From October 1, 2017 to March 31, 2018)	2nd quarter Ended March 31, 2019 (From October 1, 2018 to March 31, 2019)
Profit for the period attributable to common shareholders of the parent (million yen)	3,946	4,954
Profit for the period attributable to common shareholders used in calculations for basic earnings per share (million yen)	3,946	4,954
Profit for the period attributable to common shareholders used in calculations for diluted earnings per share (million yen)	3,946	4,954
Average number of shares during the period	28,696,597	29,012,434
Increase in number of common shares used in calculation for diluted earnings per share	315,030	311,482
Average number of common shares during the period after dilution	29,011,627	29,323,916
Basic earnings per share (yen)	137.51	170.75
Diluted earnings per share (yen)	136.02	168.94
Outline of potentially dilutive shares excluded from the calculation of diluted earnings per share due to the absence of dilutive effects	-	-

(Important subsequent events)

Not applicable.