

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	197,000	12.6	14,200	21.2	14,000	21.7	9,600	20.2	9,600	20.1	330.89

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

* Notes:

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

New: –

Excluded: –

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

1) Changes in accounting policies required by IFRS: 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)	3rd quarter Ended June 30,2019	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	3rd quarter Ended June 30,2019	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)	3rd quarter Ended June 30,2019	29,012,434 shares	3rd quarter Ended June 30,2018	28,801,876 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 + Expenses related to secondary offering of 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 the 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 discussions on the management integration with Genki Sushi Co., Ltd., expenses related to the acquisition of subscription rights to shares, and expenses related to the secondary offering of the Company’s 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

Table of contents for attached materials

1. Qualitative Information on Financial Results for the Period Under Review	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of consolidated earnings forecasts and other forward-looking statements	3
2. Condensed Quarterly Consolidated Financial Statements and Important Notes	4
(1) Condensed consolidated statement of financial position	4
(2) Condensed consolidated statement of profit or loss	5
(3) Condensed consolidated statement of comprehensive income	6
(4) Condensed consolidated statement of changes in equity	7
(5) Condensed consolidated statement of cash flows	8
(6) Notes on condensed consolidated financial statements	9
(Notes regarding assumption of a going concern)	9
(Changes in accounting policies)	9
(Segment information)	9
(Selling, general and administrative expenses)	10
(Earnings per share)	10
(Important subsequent events)	10

1. Qualitative Information on Financial Results for the Period Under Review

(1) Explanation of operating results

During the 3rd quarter of the consolidated fiscal year ending September 30, 2019, the Japanese economy maintained a gradual recovery trend backed by improvements in corporate earnings and the employment and income environment. However, the economic outlook remains clouded by factors such as the impact of U.S.-China trade problems, trends in U.S. policy, 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 22 new stores (domestic: 18, overseas: 4) and closed 3 stores (domestic: 3), bringing the total number of stores to 544 (domestic: 528, overseas: 16) at the end of the 3rd quarter of the consolidated fiscal year ending September 30, 2019.

As a result, revenue for the 3rd quarter of the current consolidated fiscal year totaled 145,813 million yen (+13.9% year on year), operating profit 11,325 million yen (+27.0% year on year), profit before income taxes 11,190 million yen (+28.2% year on year), and profit for the period attributable to owners of the parent 7,790 million yen (+30.1% year on year).

In addition, adjusted profit for the period came to 7,818 million yen (+29.2% year on year).

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

(2) Explanation of financial position

1) Assets, liabilities and equity

(Assets)

The balance of total assets increased 22 million yen from the end of the previous consolidated fiscal year to 132,085 million yen.

The balance of current assets decreased 3,002 million yen from the end of the previous consolidated fiscal year to 13,526 million yen. This was mainly attributable to a 3,420 million yen decrease in cash and cash equivalents.

The balance of non-current assets increased 3,024 million yen from the end of the previous consolidated fiscal year to 118,558 million yen. This mainly reflected a 1,871 million yen increase in equity method investment, a 891 million yen increase in property, plant and equipment resulting from new store openings, and a 518 million yen increase in lease and guarantee deposits, alongside a 175 million yen decrease in intangible assets.

(Liabilities)

Total liabilities decreased 4,415 million yen from the end of the previous consolidated fiscal year to 86,812 million yen.

The balance of current liabilities decreased 836 million yen from the end of the previous consolidated fiscal year to 29,957 million yen. This mainly reflected a 458 million yen increase in trade and other payables, alongside a 1,155 million yen decrease in income taxes payable and a 346 million yen decrease in provisions.

The balance of non-current liabilities decreased 3,579 million yen from the end of the previous consolidated fiscal year to 56,855 million yen. This was mainly attributable to a 3,053 million yen decrease in borrowings and a 645 million yen decrease in other financial liabilities.

(Equity)

Total equity increased 4,438 million yen from the end of the previous consolidated fiscal year to 45,273 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 1,419 million yen decrease from retirement of subscription rights to shares, the booking of 7,790 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 3rd quarter of the consolidated fiscal year ending September 30, 2019, cash and cash equivalents (hereinafter "Cash") decreased 3,420 million yen from the end of the previous consolidated fiscal year to 8,966 million yen.

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

(Cash flows from operating activities)

Cash provided by operating activities totaled 11,152 million yen (+19.5% year on year).

This mainly reflected the booking of 11,190 million yen in profit before income taxes and 3,525 million yen in depreciation and amortization, and an increase of 571 million yen in trade and other payables, alongside an increase of 539 million yen in trade and other receivables, an increase of 117 million yen in interest paid, and 4,189 million yen in income taxes paid.

(Cash flows from investing activities)

Cash used in investing activities came to 7,203 million yen (+51.3% year on year).

This was mainly attributable to 4,223 million yen in purchase of property, plant and equipment accompanying store openings, 241 million yen in purchase of intangible assets, 824 million yen in payments for lease and guarantee deposit, and 1,994 million yen in payment for equity method investment.

(Cash flows from financing activities)

Cash used in financing activities amounted to 7,285 million yen (+128.7% year on year). This mainly reflected 3,126 million yen in repayments of long-term borrowings, 797 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

In light of factors such as group earnings for the 3rd quarter of the consolidated fiscal year ending September 30, 2019, the Company has revised its consolidated earnings forecasts for the fiscal year ending September 30, 2019. For details, please refer to the Notice of Revisions to Full-Year Earnings Forecasts released today (August 7, 2019).

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	3rd quarter Ended June 30,2019 (From October 1, 2018 to June 30,2019)
Assets		
Current assets		
Cash and cash equivalents	12,386	8,966
Trade and other receivables	1,634	2,159
Inventories	1,343	1,171
Other financial assets	280	292
Other current assets	886	937
Total current assets	16,528	13,526
Non-current assets		
Property, plant and equipment	22,595	23,486
Goodwill	30,371	30,371
Intangible assets	54,688	54,514
Equity method investment	-	1,871
Lease and guarantee deposits	7,304	7,822
Other financial assets	108	50
Other non-current assets	467	445
Total non-current assets	115,534	118,558
Total assets	132,062	132,085
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	18,589	19,047
Borrowings	4,132	4,144
Income taxes payable	1,759	604
Other financial liabilities	1,724	1,801
Provisions	1,927	1,580
Other current liabilities	2,662	2,780
Total current liabilities	30,793	29,957
Non-current liabilities		
Trade and other payables	39	36
Borrowings	40,696	37,643
Other financial liabilities	1,447	801
Provisions	1,778	1,869
Deferred tax liabilities	16,459	16,459
Other non-current liabilities	16	47
Total non-current liabilities	60,435	56,855
Total liabilities	91,227	86,812
Equity		
Capital stock	100	100
Capital surplus	15,863	15,747
Retained earnings	25,663	29,691
Treasury stock	(0)	(0)
Other components of equity	(790)	(265)
Total equity attributable to owners of the parent	40,835	45,273
Non-controlling interests	-	-
Total equity	40,835	45,273
Total liabilities and equity	132,062	132,085

(2) Condensed consolidated statement of profit and loss

(in millions, JPY)

	3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018)	3rd quarter Ended June 30, 2019 (From October 1, 2018 to June 30, 2019)
Revenue	128,044	145,813
Cost of sales	(61,962)	(70,473)
Gross profit	66,082	75,340
Selling, general and administrative expenses	(56,704)	(63,868)
Other income	31	67
Other expenses	(491)	(215)
Operating profit	8,918	11,325
Finance income	83	104
Finance expenses	(271)	(239)
Profit before income taxes	8,729	11,190
Income taxes	(2,743)	(3,400)
Profit for the period	<u>5,986</u>	<u>7,790</u>
Profit attributable to:		
Owners of the parent	5,987	7,790
Non-controlling interests	(1)	-
Profit for the period	<u>5,986</u>	<u>7,790</u>
Earnings per share		
Basic earnings per share (yen)	207.87	268.50
Diluted earnings per share (yen)	205.53	266.42

(3) Condensed consolidated statement of comprehensive income

(in millions, JPY)

	3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018)	3rd quarter Ended June 30, 2019 (From October 1, 2018 to June 30, 2019)
Profit for the period	5,986	7,790
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(23)	(287)
Effective portion of changes in fair value of cash flow hedges	(6)	(63)
Total of items that may be reclassified subsequently to profit or loss	<u>(30)</u>	<u>(349)</u>
Other comprehensive income after taxes	<u>(30)</u>	<u>(349)</u>
Total comprehensive income for the period	<u>5,957</u>	<u>7,440</u>
Attributable to:		
Owners of the parent	5,962	7,440
Non-controlling interests	(5)	-
Total comprehensive income for the period	<u>5,957</u>	<u>7,440</u>

(4) Condensed consolidated statement of changes in equity

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

(in millions, JPY)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of October 1, 2017	100	13,573	17,730	(0)	450	31,853	(53)	31,800
Profit for the period			5,987			5,987	(1)	5,986
Other comprehensive income					(26)	(26)	(4)	(30)
Total comprehensive income	-	-	5,987	-	(26)	5,962	(5)	5,957
Capital reduction	(1,715)	1,715				-		-
Exercise of subscription rights to shares	1,715	1,811			(239)	3,287		3,287
Acquisition of subscription rights to shares					(1,006)	(1,006)		(1,006)
Share-based payment transactions			1		9	10		10
Dividends		(1,236)				(1,236)		(1,236)
Changes in ownership interests in subsidiaries that do not result in loss of control			(59)			(59)	58	(2)
Total transactions with the owners	-	2,290	(58)	-	(1,235)	997	58	1,054
Balance as of June 30, 2018	100	15,863	23,659	(0)	(811)	38,811	-	38,811

3rd quarter Ended June 30, 2019 (From October 1, 2018 to June 30, 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			7,790			7,790		7,790
Other comprehensive income					(349)	(349)		(349)
Total comprehensive income	-	-	7,790	-	(349)	7,440	-	7,440
Acquisition of subscription rights to shares					(913)	(913)		(913)
Retirement of subscription rights to treasury shares			(1,419)		1,764	344		344
Share-based payment transactions			8		24	32		32
Dividends		(116)	(2,350)			(2,466)		(2,466)
Total transactions with the owners	-	(116)	(3,762)	-	875	(3,003)	-	(3,003)
Balance as of June 30, 2019	100	15,747	29,691	(0)	(265)	45,273	-	45,273

(5) Condensed consolidated statement of cash flows

(in millions, JPY)

	3rd quarter Ended June 30, 2018 (From October 1, 2017 to June 30, 2018)	3rd quarter Ended June 30, 2019 (From October 1, 2018 to June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	8,729	11,190
Depreciation and amortization	3,274	3,525
Impairment losses	400	132
Finance income	(83)	(104)
Finance expenses	272	234
Amount of rent offset by lease and guarantee deposits	222	224
Increase/decrease in trade and other receivables, (increase)	(182)	(539)
Increase/decrease in inventories, (increase)	(192)	165
Increase/decrease in trade and other payables, (decrease)	805	571
Others	216	58
Subtotal	13,461	15,457
Interest and dividend income received	0	1
Interest paid	(134)	(117)
Income taxes paid	(3,995)	(4,189)
Net cash from operating activities	9,333	11,152
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,993)	(4,223)
Purchase of intangible assets	(236)	(241)
Payments for lease and guarantee deposits	(520)	(824)
Equity method investment	-	(1,994)
Others	(11)	80
Cash flows from investing activities	(4,760)	(7,203)
Cash flows from financing activities		
Repayments of long-term borrowings	(3,126)	(3,126)
Repayments of lease obligations	(917)	(797)
Payments for commission fees	(6)	(6)
Proceeds from exercise of subscription rights to shares	3,287	-
Payment for acquisition of subscription rights to shares	(1,006)	(945)
Cash dividends paid	(1,228)	(2,465)
Others	(189)	53
Cash flows from financing activities	(3,185)	(7,285)
Net increase/decrease in cash and cash equivalents, (decrease)	1,388	(3,336)
Cash and cash equivalents at beginning of year	8,538	12,386
Effect of exchange rate changes on cash and cash equivalents	(19)	(83)
Cash and cash equivalents at end of year	9,907	8,966

(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.

	3rd quarter ended June 30, 2018 (From October 1, 2017 to June 30, 2018)	3rd quarter ended June 30, 2019 (From October 1, 2018 to June 30, 2019)
Employee benefits	35,337	39,953
Rents	5,929	6,464
Depreciation and amortization	3,210	3,463
Utilities expenses	2,932	3,186
Other	9,297	10,803
Total	56,704	63,868

(Earnings per share)

	3rd quarter ended June 30, 2018 (From October 1, 2017 to June 30, 2018)	3rd quarter ended June 30, 2019 (From October 1, 2018 to June 30, 2019)
Profit for the period attributable to common shareholders of the parent (million yen)	5,987	7,790
Profit for the period attributable to common shareholders used in calculations for basic earnings per share (million yen)	5,987	7,790
Profit for the period attributable to common shareholders used in calculations for diluted earnings per share (million yen)	5,987	7,790
Average number of shares during the period	28,801,876	29,012,434
Increase in number of common shares used in calculation for diluted earnings per share	328,926	226,813
Average number of common shares during the period after dilution	29,130,802	29,239,247
Basic earnings per share (yen)	207.87	268.50
Diluted earnings per share (yen)	205.53	266.42
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.