

This is an English translation of the original Japanese-language document. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.

Consolidated Financial Results for the 3rd Quarter Ended June 30, 2020 [IFRS]

August 4, 2020

Listed company name Sushiro Global Holdings Ltd. Listed stock exchange: TSE
 Securities code: 3563 URL <http://www.sushiroglobalholdings.com>
 Representative: President & CEO Koichi Mizutome
 Inquiries Corporate Officer Keita Shimizu Phone: 06-6368-1001
 Scheduled filing date to file August 5, 2020 Scheduled date to commence —
 Quarterly Securities Report dividend payment
 Supplementary briefing materials on quarterly financial results prepared: No
 Quarterly financial results presentation meeting held: No

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

1. Consolidated Financial Results for the 3rd Quarter Ended June 30, 2020 (October 1, 2019 to June 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit for the period | | Profit for the period attributable to owners of the parent | | Total comprehensive income for the period | |
|---------------------------------|-------------|------|------------------|--------|----------------------------|--------|-----------------------|--------|--|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| 3rd quarter ended June 30, 2020 | 150,661 | 3.3 | 8,619 | (23.9) | 7,172 | (35.9) | 4,242 | (45.5) | 4,259 | (45.3) | 4,379 | (41.2) |
| 3rd quarter ended June 30, 2019 | 145,813 | 13.9 | 11,325 | 27.0 | 11,190 | 28.2 | 7,790 | 30.1 | 7,790 | 30.1 | 7,440 | 24.9 |

| | Basic earnings per share | | Diluted earnings per share | |
|---------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| 3rd quarter ended June 30, 2020 | 36.70 | | 36.60 | |
| 3rd quarter ended June 30, 2019 | 67.13 | | 67.00 | |

Reference: Adjusted profit for the period: 3rd quarter ended June 30, 2020: 4,242 million yen ($\triangle 45.7\%$ year on year)
 3rd quarter ended June 30, 2019: 7,818 million yen

Notes:

- Sushiro Global Holdings Ltd. ("the Company") uses adjusted profit for the period as an important management indicator. For more information about this indicator, refer to (2) and (3) under "Explanation of Proper Use of Financial Forecasts, and Other Special Matters."
- The Company conducted a stock split of its common shares at a ratio of four shares for every one share on April 1, 2020. Basic earnings per share and diluted earnings per share were calculated based on the total number of issued shares after the stock split on the assumption that the stock split was conducted at the start of the previous consolidated fiscal year.

(2) Consolidated financial position

| | Total assets | | Total equity | | Total equity attributable to owners of the parent | | Ratio of equity attributable to owners of the parent | |
|--------------------------------------|--------------|--|--------------|--|---|--|--|--|
| | Million yen | | Million yen | | Million yen | | % | |
| 3rd quarter ended June 30, 2020 | 232,369 | | 48,752 | | 48,725 | | 20.9 | |
| Fiscal year ended September 30, 2019 | 136,349 | | 47,367 | | 47,367 | | 34.7 | |

2. Dividends

| | Annual dividends | | | | |
|--|--------------------|--------------------|--------------------|-----------------|-------|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended September 30, 2019 | — | 0.00 | — | 90.00 | 90.00 |
| Fiscal year ending September 30, 2020 | — | 0.00 | — | | |
| Fiscal year ending September 30, 2020 (forecast) | | | | 15.00 | 15.00 |

Notes:

(1) Revisions to the most recently announced dividend forecasts: Yes

(2) The Company conducted a stock split of its common shares at a ratio of four shares for every one share on April 1, 2020.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2020 (October 1, 2019 to September 30, 2020)

(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 | % | |
| Fiscal year ending September 30, 2020 | 204,950 | 2.9 | 10,450 | (28.2) | 8,700 | (39.4) | 5,100 | (48.8) | 5,100 | (48.8) | Yen 43.95 |

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): Yes

New: Sharetea Japan Co., Ltd.

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, 2020 | 116,049,984 shares | Fiscal year ended September 30, 2019 | 116,049,984 shares |
| b. Number of treasury shares at the end of the period | 3rd quarter ended June 30, 2020 | 248 shares | Fiscal year ended September 30, 2019 | 248 shares |
| c. Average number of shares during the period (cumulative from the start of the fiscal year) | 3rd quarter ended June 30, 2020 | 116,049,736 shares | 3rd quarter ended June 30, 2020 | 116,049,736 shares |

Notes:

The Company conducted a stock split of its common shares at a ratio of four shares for every one share on April 1, 2020. The total number of issued shares were calculated based on the assumption that the stock split was conducted at the start of the previous consolidated fiscal year.

* These financial results are outside the scope of quarterly review procedures by certified public accountants or accounting firms.

* Explanation of Proper Use of Financial Forecasts, and Other Special Matters

(1) Consolidated earnings forecasts

The earnings forecasts and other forward-looking statements presented in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. They do not constitute guarantees by the Company of future performance. Furthermore, actual results and performance may differ materially from these forecasts due to various factors. In addition, for more details on earnings forecasts, please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative Information on Financial Results for the Period Under Review” on page 3 of the attached materials.

(2) The Company calculates adjusted profit for the period using the formula below.

Adjusted profit for the period = Profit for the period + Expenses related to acquisition of subscription rights to shares + Expenses related to secondary offering of shares + others

(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 results of the Company and its subsidiaries (“the Sushiro Group”). 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).

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 |
| (Canges in Method of Presentation) | 10 |
| (Segment information) | 10 |
| (Selling, general and administrative expenses) | 11 |
| (Earnings per share) | 11 |
| (Important subsequent events) | 11 |

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, 2020, the Japanese economy deteriorated rapidly as consumer spending slowed sharply when requests to stay at home and to reduce opening hours were stepped up with the issuance of the state of emergency declaration due to the spread of COVID-19. Despite signs of a moderate recovery after the lifting of the state of emergency declaration, including the beginnings of normalization in economic activity and a recovery in stock prices, the economic outlook remained clouded, due in part to the possibility of a second wave of COVID-19 infections.

The restaurant sector has also been severely impacted by the spread of COVID-19 as described above. Despite a moderate recovery after the lifting of the state of emergency declaration, the situation remains unpredictable.

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 Sushiro Group opened 51 new stores (domestic: 34, overseas: 17), closed 6 stores (domestic: 2, overseas: 4), bringing the total store count to 611 (domestic: 573, overseas: 38) at the end of the 3rd quarter of the consolidated fiscal year ending September 30, 2020.

As a result, revenue for the 3rd quarter of the current consolidated fiscal year totaled 150,661 million yen (+3.3% year on year), operating profit 8,619 million yen (Δ 23.9% year on year), profit before income taxes 7,172 million yen (Δ 35.9% year on year), and profit for the period attributable to owners of the parent 4,259 million yen (Δ 45.3% year on year).

In addition, adjusted profit for the period came to 4,242 million yen (Δ 45.7% year on year).

Notes: Adjusted profit for the period = Profit for the period + others

(2) Explanation of financial position

1) Assets, liabilities and equity

(Assets)

The balance of total assets increased 96,020 million yen from the end of the previous consolidated fiscal year to 232,369 million yen.

The balance of current assets increased 4,878 million yen from the end of the previous consolidated fiscal year to 20,490 million yen. This mainly reflected a 2,394 million yen increase in cash and a 1,960 million yen increase in trade and other receivables, a 235 million yen increase in inventories, a 284 million yen increase in other current assets.

The balance of non-current assets increased 91,143 million yen from the end of the previous consolidated fiscal year to 211,880 million yen. This mainly reflected an 91,327 million yen increase in property, plant and equipment resulting from the application of IFRS16 etc., a 770 million yen increase in Lease and guarantee deposits alongside a 914 million yen decrease in Equity method investment.

(Liabilities)

Total liabilities increased 94,635 million yen from the end of the previous consolidated fiscal year to 183,617 million yen.

The balance of current liabilities increased 45,260 million yen from the end of the previous consolidated fiscal year to 78,796 million yen. This mainly reflected a 36,570 million yen increase in borrowings, a 10,897 million yen increase in lease liabilities resulting from the application of IFRS16 etc., a 793 million yen increase in other current liabilities, alongside a 1,620 million yen decrease in trade and other payables and a 1,580 million yen decrease in provisions.

The balance of non-current liabilities increased 49,374 million yen from the end of the previous consolidated fiscal year to 104,821 million yen. This was mainly attributable to a 75,913 million yen increase in lease liabilities resulting from the application of IFRS16 etc. and a 26,670 million yen decrease in bonds and borrowings.

(Equity)

Total equity increased 1,386 million yen from the end of the previous consolidated fiscal year to 48,752 million yen. This mainly reflected a 2,611 million yen decrease in retained earnings resulting from cash dividends paid, a 554 million yen decrease in retained earnings resulting from the application of IFRS16 and the booking of 4,259 million yen in profit for the period.

2) Cash flows

During the 3rd quarter of the consolidated fiscal year ending September 30, 2020, cash and cash equivalents (hereinafter "Cash") increased 2,394 million yen from the end of the previous consolidated fiscal year to 12,735 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 13,316 million yen (+19.4% year on year).

This mainly reflected the booking of 7,172 million yen in profit before income taxes, the booking of 11,257 million yen in depreciation and amortization resulting from the application of IFRS16, a 1,089 million yen in Impairment losses, alongside an increase of 1,951 million yen in trade and other receivables, 1,496 million yen decrease in trade and other payables an 237 million yen increase in inventories, 467 million yen in interest paid and 2,944 million yen in income tax paid.

(Cash flows from investing activities)

Cash used in investing activities came to 10,728 million yen (+48.9% year on year).

This was mainly attributable to 9,531 million yen in purchase of property, plant and equipment accompanying store openings and 1,013 million yen in payments for lease and guarantee deposits.

(Cash flows from financing activities)

Cash gained in financing activities amounted to 212 million yen (Δ 97.1% year on year). This mainly reflected 3,000 million yen increase of short-term borrowings, 9,946 million yen in proceeds from issuance of bonds, alongside 3,126 million yen in repayments of long-term borrowings, 7,485 million yen in repayments of lease obligations resulting from the application of IFRS16, and 2,610 million yen in cash dividends paid.

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

The consolidated earnings forecasts for the fiscal year ending September 30, 2020 had been undetermined because of the difficulty in making reasonable calculations of the impact from the spread of COVID-19 on the Sushiro Group. However, with the lifting of the state of emergency declaration, there have been signs of a resumption in economic activity, so the consolidated earnings forecasts have been calculated based on currently available information.

For the details, please refer to "Notice of Earnings Forecasts" published on August 4, 2020.

2. Condensed Quarterly Consolidated Financial Statements and Important Notes

(1) Condensed consolidated statement of financial position

(in millions, JPY)

| | Fiscal year ended September 30, 2019 | 3rd quarter ended June 30, 2020 (From October 1, 2019 to June 30, 2020) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 10,341 | 12,735 |
| Trade and other receivables | 2,678 | 4,638 |
| Inventories | 1,313 | 1,548 |
| Other financial assets | 316 | 321 |
| Other current assets | 963 | 1,247 |
| Total current assets | 15,612 | 20,490 |
| Non-current assets | | |
| Property, plant and equipment | 25,579 | 116,906 |
| Goodwill | 30,371 | 30,371 |
| Intangible assets | 54,560 | 54,529 |
| Equity method investment | 1,816 | 902 |
| Lease and guarantee deposits | 7,959 | 8,729 |
| Other financial assets | 6 | 6 |
| Other non-current assets | 446 | 437 |
| Total non-current assets | 120,737 | 211,880 |
| Total assets | 136,349 | 232,369 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 21,256 | 19,635 |
| Borrowings | 4,149 | 40,719 |
| Income taxes payable | 1,459 | 1,446 |
| Lease liabilities | 809 | 11,706 |
| Other financial liabilities | 508 | 720 |
| Provisions | 2,449 | 869 |
| Other current liabilities | 2,906 | 3,700 |
| Total current liabilities | 33,536 | 78,796 |
| Non-current liabilities | | |
| Trade and other payables | 36 | 31 |
| Bonds and Borrowings | 36,622 | 9,952 |
| Lease liabilities | 575 | 76,489 |
| Other financial liabilities | 75 | 64 |
| Provisions | 1,982 | 2,138 |
| Deferred tax liabilities | 16,107 | 16,107 |
| Other non-current liabilities | 49 | 42 |
| Total non-current liabilities | 55,447 | 104,821 |
| Total liabilities | 88,982 | 183,617 |
| Equity | | |
| Capital stock | 100 | 100 |
| Capital surplus | 15,747 | 15,747 |
| Retained earnings | 31,859 | 32,958 |
| Treasury stock | (0) | (0) |
| Other components of equity | (339) | (80) |
| Total equity attributable to owners of the parent | 47,367 | 48,725 |
| Non-controlling interests | — | 27 |
| Total equity | 47,367 | 48,752 |
| Total liabilities and equity | 136,349 | 232,369 |

(2) Condensed consolidated statement of profit and loss

(in millions, JPY)

| | 3rd quarter ended June 30, 2019 (From October 1, 2018 to June 30, 2019) | 3rd quarter ended June 30, 2020 (From October 1, 2019 to June 30, 2020) |
|---|--|--|
| Revenue | 145,813 | 150,661 |
| Cost of sales | (70,473) | (72,245) |
| Gross profit | 75,340 | 78,416 |
| Selling, general and administrative expenses | (63,868) | (69,062) |
| Other income | 67 | 373 |
| Other expenses | (215) | (1,108) |
| Operating profit | 11,325 | 8,619 |
| Finance income | 104 | 90 |
| Finance expenses | (239) | (590) |
| Share of profit (loss) of investments accounted for using equity method | - | (947) |
| Profit before income taxes | 11,190 | 7,172 |
| Income taxes | (3,400) | (2,930) |
| Profit for the period | 7,790 | 4,242 |
| Profit attributable to: | | |
| Owners of the parent | 7,790 | 4,259 |
| Non-controlling interests | - | (17) |
| Profit for the period | 7,790 | 4,242 |
| Earnings per share | | |
| Basic earnings per share (yen) | 67.13 | 36.70 |
| Diluted earnings per share (yen) | 67.00 | 36.60 |

(3) Condensed consolidated statement of comprehensive income

(in millions, JPY)

| | 3rd quarter ended June 30, 2019 (From October 1, 2018 to June 30, 2019) | 3rd quarter ended June 30, 2020 (From October 1, 2019 to June 30, 2020) |
|--|--|--|
| Profit for the period | 7,790 | 4,242 |
| Other comprehensive income | | |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | (287) | 134 |
| Effective portion of changes in fair value of cash flow hedges | (63) | 2 |
| Total of items that may be reclassified subsequently to profit or loss | (349) | 136 |
| Other comprehensive income after taxes | (349) | 136 |
| Total comprehensive income for the period | 7,440 | 4,379 |
| Attributable to: | | |
| Owners of the parent | 7,440 | 4,395 |
| Non-controlling interests | - | (16) |
| Total comprehensive income for the period | 7,440 | 4,379 |

(4) Condensed consolidated statement of changes in equity
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 |

3rd quarter ended June 30, 2020 (From October 1, 2019 to June 30, 2020)

(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, 2019 | 100 | 15,747 | 31,859 | (0) | (339) | 47,367 | – | 47,367 |
| Cumulative impact resulting from the change in accounting policy | | | (554) | | | (554) | | (554) |
| Balance as of October 1, 2019, reflecting the change in accounting policy | 100 | 15,747 | 31,304 | (0) | (339) | 46,812 | | 46,812 |
| Profit for the period | | | 4,259 | | | 4,259 | (17) | 4,242 |
| Other comprehensive income | | | | | 136 | 136 | 0 | 136 |
| Total comprehensive income | – | – | 4,259 | – | 136 | 4,395 | (16) | 4,379 |
| Lapse of subscription rights to shares | | | 6 | | (6) | – | | – |
| Share-based payment transactions | | | | | 129 | 129 | | 129 |
| Dividends | | | (2,611) | | | (2,611) | | (2,611) |
| Capital increase of consolidated subsidiaries | | | | | | | 10 | 10 |
| Change in scope of consolidation | | | | | | | 33 | 33 |
| Total transactions with the owners | – | – | (2,605) | – | 123 | (2,482) | 44 | (2,439) |
| Balance as of June 30, 2020 | 100 | 15,747 | 32,958 | (0) | (80) | 48,725 | 27 | 48,752 |

(5) Condensed consolidated statement of cash flows

(in millions, JPY)

| | 3rd quarter ended June 30, 2019 (From October 1, 2018 to June 30, 2019) | 3rd quarter Ended June 30, 2020 (From October 1, 2019 to June 30, 2020) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 11,190 | 7,172 |
| Depreciation and amortization | 3,525 | 11,257 |
| Impairment losses | 132 | 1,089 |
| Finance income | (104) | (72) |
| Finance expenses | 234 | 588 |
| Amount of rent offset by lease and guarantee deposits | 224 | 215 |
| Share of loss (profit) of entities accounted for using equity method | – | 947 |
| Increase/decrease in trade and other receivables, (increase) | (539) | (1,951) |
| Increase/decrease in inventories, (increase) | 165 | (237) |
| Increase/decrease in trade and other payables, (decrease) | 571 | (1,496) |
| Others | 58 | (788) |
| Subtotal | 15,457 | 16,725 |
| Interest and dividend income received | 1 | 2 |
| Interest paid | (117) | (467) |
| Income taxes paid | (4,189) | (2,944) |
| Net cash from operating activities | 11,152 | 13,316 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (4,223) | (9,531) |
| Purchase of intangible assets | (241) | (233) |
| Payments for lease and guarantee deposits | (824) | (1,013) |
| Equity method investment | (1,994) | – |
| Others | 80 | 49 |
| Cash flows from investing activities | (7,203) | (10,728) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | – | 3,000 |
| Proceeds from issuance of bonds | – | 9,946 |
| Repayments of long-term borrowings | (3,126) | (3,126) |
| Repayments of lease liabilities | (797) | (7,485) |
| Payments for commission fees | (6) | (5) |
| Payment for acquisition of subscription rights to shares | (945) | – |
| Capital contribution from non-controlling interests | – | 44 |
| Cash dividends paid | (2,465) | (2,610) |
| Others | 53 | 24 |
| Cash flows from financing activities | (7,285) | (212) |
| Net increase/decrease in cash and cash equivalents, (decrease) | (3,336) | 2,376 |
| Cash and cash equivalents at beginning of year | 12,386 | 10,341 |
| Effect of exchange rate changes on cash and cash equivalents | (83) | 18 |
| Cash and cash equivalents at end of year | 8,966 | 12,735 |

(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 3rd quarter of the consolidated fiscal year ending September 30, 2020 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, 2020.

The Sushiro Group applied "Covid-19 Related Rent Concessions" – Amendment to IFRS 16 "Leases" early from the 3rd quarter of the consolidated fiscal year ending September 30, 2020.

| Standard | Standard name | Summary of new standards and amendments |
|----------|---------------|--|
| IFRS16 | Leases | Amendments with regard to accounting treatment of leases |

Application of IFRS16 "Leases"

The Company determines whether an arrangement is a lease or whether an arrangement contains a lease based on the substance of the arrangement even when it does not take the legal form of a lease.

The Company selected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets.

When an arrangement is a lease or contains a lease, the Company recorded right-of-use assets and lease liabilities on the quarterly condensed consolidated statement of financial position at the commencement date, except for short-term leases and leases of low value assets.

The Company adopted the cost model for the measurement of right-of-use assets, which are stated at acquisition cost less accumulated depreciation.

Right-of-use assets are depreciated regularly over the term of the lease. Lease liabilities are measured at the discounted present value of unpaid lease payments. Lease payments are allocated to finance expenses and repayment of lease liabilities based on the effective interest rate. Finance expenses are recognized on the quarterly condensed consolidated statement of profit and loss.

On applying IFRS16, the Company adopted the method which recognizes the cumulative impact due to the application of the standard at the initial application date, which is allowed as a transitional measure. The weighted average of the incremental borrowing rate applied to lease liabilities recognized on the quarterly condensed consolidated statement of financial position as of the initial application date is 0.59%.

When applying IFRS16, the Company selected a practical expedient to determine whether an arrangement contains a lease and carried over judgements under IAS17 "Leases" ("IAS17") and IFRIC4 "Determining whether an Arrangement Contains a Lease." Since the initial application date, judgements have been made based on the rules of IFRS16.

The Sushiro Group used the following practical expedients when applying IFRS16.

- Leases with a lease term of 12 months or less from the initial application date are accounted for in the same way as short-term leases.
- A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- Ex post judgements are used in the calculation of lease terms when an arrangement contains an option to extend or cancel a lease.
- Initial direct costs are excluded from the measurement of right-of-use assets as of the initial application date.

A reconciliation of the disclosed operating lease agreements which applied IAS17 at the end of the previous fiscal year and the lease liabilities recognized on the quarterly condensed consolidated statement of financial position on the initial application date is as follows.

(in millions, JPY)

| | |
|---|--------|
| Operating lease agreements disclosed at September 30, 2019 | 4,752 |
| Discounted operating lease agreements disclosed at September 30, 2019 | 3,890 |
| Finance lease obligations (September 30, 2019) | 1,384 |
| Minority leased assets | (7) |
| Cancellable operating lease agreements | 76,831 |
| Lease liabilities (October 1, 2019) | 82,098 |

As a result, right-of-use assets increased 80,159 million yen and lease liabilities increased 80,714 million yen and retained earnings decreased 554 million yen at the start of the 1st quarter ended December 31, 2019 compared with the application of the previous accounting standard.

In addition, lease obligations which included in "Other financial liabilities" presented on the consolidated statement of financial position in past fiscal years has been presented as "Lease liabilities" from the 1st quarter ended December 31, 2019 and "Repayments of lease obligations" presented in "Cash flows from financing activities" on the consolidated statement of cash flows in past fiscal years has been presented as "Repayments of lease liabilities" from the 1st quarter ended December 31, 2019.

"Covid-19 Related Rent Concessions" – Amendment to IFRS 16 "Leases"

The Sushiro Group has elected to apply the practical expedient to all rent concessions occurring as a direct consequence of the COVID-19 pandemic and which meet all of the following conditions and not to assess whether particular rent concessions are lease modifications as provided for in IFRS 16.

- The revised consideration for the lease after the concession to the lease fee was provided is substantially the same or less than the consideration for the lease immediately before the concession was provided.
- The reduction in the lease fee only affects payments that were originally due on or before June 30, 2021.
- There are no other substantive changes to the other terms and conditions for the lease.

As a result of applying the practical expedient, profit before income taxes for the 3rd quarter of the consolidated fiscal year ending September 30, 2020 increased 118 million yen.

There are no other material impacts on the quarterly condensed consolidated financial statements due to the application of IFRS16.

(Changes in Method of Presentation)

(Condensed Consolidated Statement of Profit and Loss)

The financial materiality of investment gains/losses by equity method increased, and it has therefore been stated separately from the 3rd quarter ended June 30, 2020.

(Condensed Consolidated Statement of Cash Flows)

The financial materiality of investment gains/losses by equity method increased, and it has therefore been stated separately from the 3rd quarter ended June 30, 2020.

(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, 2019 (From October 1, 2018 to June 30, 2019) | 3rd quarter ended June 30, 2020 (From October 1, 2019 to June 30, 2020) |
|-------------------------------|--|--|
| Employee benefits | 39,953 | 42,166 |
| Depreciation and amortization | 3,463 | 11,209 |
| Utilities expenses | 3,186 | 3,229 |
| Other | 17,267 | 12,459 |
| Total | 63,868 | 69,062 |

Note: The financial materiality of "Rents" listed in the breakdown by type of selling, general and administrative expenses in the 3rd quarter ended June 30, 2019 decreased significantly due to the application of IFRS16 "Leases" and has therefore been included in "Other" from the 1st quarter ended December 31, 2019. "Rents" amounted to 6,464 million yen in the 3rd quarter ended June 30, 2019. Additionally, a 7,018 million yen increase in "Depreciation and amortization" compared with the 3rd quarter ended June 30, 2019 is likewise due to the application of IFRS16 "Leases."

(Earnings per share)

| | 3rd quarter ended June 30, 2019 (From October 1, 2018 to June 30, 2019) | 3rd quarter ended June 30, 2020 (From October 1, 2019 to June 30, 2020) |
|---|--|--|
| Profit for the period attributable to common shareholders of the parent (million yen) | 7,790 | 4,259 |
| Profit for the period attributable to common shareholders used in calculations for basic earnings per share (million yen) | 7,790 | 4,259 |
| Profit for the period attributable to common shareholders used in calculations for diluted earnings per share (million yen) | 7,790 | 4,259 |
| Average number of shares during the period | 116,049,736 | 116,049,736 |
| Increase in number of common shares used in calculation for diluted earnings per share | 209,472 | 317,278 |
| Average number of common shares during the period after dilution | 116,259,208 | 116,367,014 |
| Basic earnings per share (yen) | 67.13 | 36.70 |
| Diluted earnings per share (yen) | 67.00 | 36.60 |
| Outline of potentially dilutive shares excluded from the calculation of diluted earnings per share due to the absence of dilutive effects | — | A kind of subscription rights to shares (Common shares 55 thousand shares) |

Note. The Company conducted a stock split of its common shares at a ratio of four shares for every one share on April 1, 2020. Basic earnings per share and diluted earnings per share were calculated based on the total number of issued shares after the stock split on the assumption that the stock split was conducted at the start of the previous consolidated fiscal year.

(Important subsequent events)

Not applicable.