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Consolidated Financial Results for the Fiscal Year Ended September 30, 2020 [IFRS]

November 6, 2020

Listed company name: Sushiro Global Holdings Ltd. Listed stock exchange: TSE
 Securities code: 3563 URL <http://www.sushiroglobalholdings.com>
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 Scheduled date of annual general meeting of shareholders: December 24, 2020 Scheduled date to commence dividend payment: December 25, 2020
 Scheduled filing date to file Annual Securities Report: December 25, 2020
 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 Fiscal Year Ended September 30, 2020 (October 1, 2019 to September 30, 2020)

(1) Consolidated operating results (cumulative)

(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		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended September 30, 2020	204,957	2.9	12,061	(17.1)	10,536	(26.6)	6,420	(35.5)	6,457	(35.2)	6,488	(31.9)
Fiscal year ended September 30, 2019	199,088	13.8	14,546	24.1	14,363	24.8	9,959	24.6	9,959	24.6	9,523	19.4

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended September 30, 2020	55.64	55.48	13.2	5.6	5.9
Fiscal year ended September 30, 2019	85.81	85.65	22.4	10.7	7.3

Reference: Investment gains/losses by equity method:

Fiscal Year Ended September 30, 2020: -807 million yen

Fiscal Year Ended September 30, 2019: -2 million yen

: Adjusted profit for the year: Fiscal Year Ended September 30, 2020: 6,421 million yen (-35.8% year-on-year)

Fiscal Year Ended September 30, 2019: 9,995 million yen

Notes:

The Company uses adjusted profit for the year 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	Equity per share attributable to owners of the parent
	Million yen	Million yen	Million yen	%	Yen
Fiscal year ended September 30, 2020	237,265	50,920	50,908	21.4	436.63
Fiscal year ended September 30, 2019	136,349	47,367	47,367	34.7	407.63

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended September 30, 2020	23,923	(14,879)	(6,724)	12,665
Fiscal year ended September 30, 2019	17,309	(10,682)	(8,578)	10,341

2. Dividends

	Annual dividends					Dividends paid (total)	Payout ratio (consol.)	Dividend on equity (consol.)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended September 30, 2019	—	0.00	—	90.00	90.00	2,611	26.2	5.9
Fiscal year ended September 30, 2020	—	0.00	—	15.00	15.00	1,741	27.0	3.6
Fiscal Year Ending September 30, 2021 (forecast)	—	0.00	—	22.50	22.50		24.9	

Notes:

For more information, refer to “(4) Basic policy on profit distribution, and dividends in current and next period” under “1. Overview of operating results” on page 4 of the attached materials.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending September 30, 2021 (October 1, 2020 to September 30, 2021)

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		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, 2021	250,600	22.3	17,300	43.4	16,300	54.7	10,500	63.5	10,500	62.6	90.48

* 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): Yes

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)	Fiscal year ended September 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	Fiscal year ended September 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)	Fiscal year ended September 30,2020	116,049,736 shares	Fiscal year ended September 30,2019	116,049,736 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 “(2) Outlook for the next period” of “(1) Overview of operating results for current period” under “1. Overview of operating results” on page 2 of the attached materials.

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

Adjusted profit for the year = Profit for the year + Expenses related to management integration + Expenses related to purchase of subscription rights to shares + Expenses related to secondary offering of shares + Tax effect adjustments, etc.

(3) Adjusted profit for the year 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 purchase of subscription rights to shares, expenses related to stock offering, expenses related to a management integration under discussion with Genki Sushi Co., Ltd. Note that adjusted profit for the year excludes some items that affect profit for the year 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 year 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. Overview of operating results

(1) Overview of operating results during the period

1) Operating results during the period

During the consolidated fiscal year ended September 30, 2020, the Japanese economy deteriorated rapidly as consumer spending slowed sharply with the issuance of the state of emergency declaration due to the spread of COVID-19. Despite the beginnings of normalization in economic activity and a recovery in consumer spending due to measures to stimulate demand such as the Go To campaigns after the lifting of the state of emergency, the situation remained unpredictable. Meanwhile, in the global economy as well, economic conditions in each country deteriorated similarly due to the spread of COVID-19, and the challenging situation persisted with uncertain prospects for the containment of the pandemic.

The restaurant sector has also been severely impacted by the spread of COVID-19, and the clouded outlook and challenging management environment have persisted as a recovery in consumer confidence will take some time. 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 70 new stores (domestic: 50, overseas: 20) and closed 12 stores (domestic: 5, overseas: 7), bringing the total number of stores to 624 (domestic: 586, overseas: 38) at the end of the consolidated fiscal year ended September 30, 2020.

As a result, revenue for the consolidated fiscal year ended September 30, 2020, totaled 204,957 million yen (+2.9% year on year), operating profit 12,061 million yen (-17.1% year on year), profit before income taxes 10,536 million yen (-26.6% year on year), and profit for the year attributable to owners of the parent 6,457 million yen (-35.2% year on year).

In addition, adjusted profit for the year came to 6,421 million yen (-35.8% 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) Outlook for the next period

The Company forecasts revenue of 250,600 million yen (+22.3% year on year), operating profit of 17,300 million yen (+43.4% year on year), and profit for the year attributable to owners of the parent of 10,500 million yen (+62.6% year on year).

(2) Overview of financial position during the period

(Assets)

The balance of total assets increased 100,916 million yen from the end of the previous consolidated fiscal year to 237,265 million yen.

The balance of current assets increased 5,563 million yen from the end of the previous consolidated fiscal year to 21,175 million yen. This mainly reflected a 2,464 million yen increase in trade and other receivables and a 2,324 million yen increase in cash and cash equivalents.

The balance of non-current assets increased 95,353 million yen from the end of the previous consolidated fiscal year to 216,090 million yen. This was mainly reflected a 94,089 million yen increase in property, plant and equipment resulting from the application of IFRS16 etc, and a 712 million yen increase in lease and guarantee deposits, alongside a 355 million yen increase in Equity method investment.

(Liabilities)

Total liabilities increased 97,363 million yen from the end of the previous consolidated fiscal year to 186,345 million yen.

The balance of current liabilities increased 45,266 million yen from the end of the previous consolidated fiscal year to 78,802 million yen. This mainly reflected a 32,552 million yen increase in borrowings and a 10,010 million yen increase in lease liabilities resulting from the application of IFRS16 etc, a 1,734 million yen increase in other current liabilities, and a 1,020 million yen increase in income taxes payable, a 894 million yen increase in trade and other payables alongside a 1,162 million yen decrease in provisions.

The balance of non-current liabilities increased 52,096 million yen from the end of the previous consolidated fiscal year to 107,543 million yen. This mainly reflected a 78,282 million yen increase in lease liabilities resulting from the application of IFRS16 etc, alongside a 26,636 million yen decrease in bonds and borrowings.

(Equity)

Total equity increased 3,554 million yen from the end of the previous consolidated fiscal year to 50,920 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 6,457 million yen in profit for the period.

(3) Cash flows during the period

In the consolidated fiscal year ended September 30, 2020, cash and cash equivalents increased 2,324 million yen on year to 12,665 million yen.

The breakdown of cash flows by activities and underlying factors for the consolidated fiscal year ended September 30, 2020 is shown below.

(Cash flows from operating activities)

Cash provided by operating activities totaled 23,923 million yen (+38.2% year on year).

This mainly reflected the booking of 10,536 million yen in profit before income taxes, 15,217 million yen in depreciation and amortization resulting from the application of IFRS16, and 1,742 million yen in impairment losses, alongside a 2,456 million yen increase in trade and other receivables, 644 million yen in interest paid and 2,947 million yen in income taxes paid.

(Cash flows from investing activities)

Cash used in investing activities came to 14,879 million yen (+39.3% year on year).

This was mainly attributable to 12,286 million yen in purchase of property, plant and equipment accompanying new store openings, to 1,264 million yen in payments for lease and guarantee deposits and 1,156 million yen in equity method investment.

(Cash flows from financing activities)

Cash used in financing activities amounted to 6,724 million yen (-21.6% year on year).

This mainly reflected 9,946 million yen in proceeds from issuance of bonds, alongside 4,168 million yen in repayments of long-term borrowings, 9,982 million yen in repayments of lease obligations resulting from the application of IFRS16, and 2,610 million yen in cash dividends paid.

Reference: Trends in cash flow indicators

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Ratio of equity attributable to owners of the parent (%)	31.5	34.7	21.4
Ratio of equity attributable to owners of the parent on market value basis (%)	147.8	154.7	129.5
Cash flows to interest-bearing debt ratio (%)	320.6	243.6	570.0
Interest coverage ratio (x)	83.9	111.7	37.2

Note:

Ratio of equity attributable to owners of the parent: $\text{Equity attributable to owners of the parent} / \text{Total assets}$

Ratio of equity attributable to owners of the parent on market value basis: $\text{Market capitalization} / \text{Total assets}$

Cash flows to interest-bearing debt ratio: $\text{Interest-bearing debt} / \text{Cash flows}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payment}$

* All indicators have been calculated using consolidated financial figures based on IFRS.

* Market capitalization is calculated as the share price at the fiscal year-end multiplied by the number of shares outstanding (excluding treasury stock) at the fiscal year-end.

* Cash flow figures reflect the cash flows from operating activities included in the consolidated statement of cash flows. Interest-bearing debt reflects debts subject to interest payments recorded on the consolidated statement of financial position. In addition, interest payments refer to interest payments recorded on the consolidated statement of cash flows.

(4) Basic policy on profit distribution, and dividends in current and next period

The Company regards the return of profits to its shareholders as an important management issue. Our basic policy is to continuously enhance performance and provide ongoing, appropriate profit distribution in line with performance. The Company has decided to pay a final dividend per share of 15.00 yen for the fiscal year ended September 30, 2020 as a result of comprehensively considering the balance between future investment for growth and shareholder returns in the context of the challenging management environment in the fiscal year under review, including such factors as the issuance of the state of emergency declaration due to the impact of the spread of COVID-19 and the associated request to reduce opening hours.

In the next fiscal year, the Company plans an annual dividend per share of 22.5 yen assuming the outlook for the next period described on page 2 of the attached materials is achieved.

2. Basic thinking on selection of accounting standards

The Sushiro Group has adopted the International Financial Reporting Standards (IFRS) since the year ended September 30, 2016 with the aim of enhancing the international comparability of its financial information in capital markets as well as overall convenience.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated statement of financial position

(in millions, JPY)

	Fiscal Year Ended September 30, 2019	Fiscal Year Ended September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	10,341	12,665
Trade and other receivables	2,678	5,142
Inventories	1,313	1,687
Other financial assets	316	290
Other current assets	963	1,391
Total current assets	15,612	21,175
Non-current assets		
Property, plant and equipment	25,579	119,667
Goodwill	30,371	30,371
Intangible assets	54,560	54,621
Equity method investment	1,816	2,171
Lease and guarantee deposits	7,959	8,671
Other financial assets	6	6
Other non-current assets	446	582
Total non-current assets	120,737	216,090
Total assets	136,349	237,265
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	21,256	22,150
Borrowings	4,149	36,701
Income taxes payable	1,459	2,479
Lease liabilities	809	10,819
Other financial liabilities	508	726
Provisions	2,449	1,287
Other current liabilities	2,906	4,640
Total current liabilities	33,536	78,802
Non-current liabilities		
Trade and other payables	36	31
Bonds and Borrowings	36,622	9,987
Lease liabilities	575	78,857
Other financial liabilities	75	62
Provisions	1,982	2,257
Deferred tax liabilities	16,107	16,307
Other non-current liabilities	49	43
Total non-current liabilities	55,447	107,543
Total liabilities	88,982	186,345
Equity		
Capital stock	100	100
Capital surplus	15,747	15,747
Retained earnings	31,859	35,156
Treasury stock	(0)	(0)
Other components of equity	(339)	(95)

	Fiscal Year Ended September 30, 2019	Fiscal Year Ended September 30, 2020
Total equity attributable to owners of the parent	47,367	50,908
Non-controlling interests	—	13
Total equity	47,367	50,920
Total liabilities and equity	136,349	237,265

(2) Consolidated statement of profit and loss

(in millions, JPY)

	Fiscal Year Ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)
Revenue	199,088	204,957
Cost of sales	(95,797)	(97,244)
Gross profit	103,291	107,713
Selling, general and administrative expenses	(88,146)	(94,398)
Other income	123	619
Other expenses	(722)	(1,872)
Operating profit	14,546	12,061
Finance income	128	90
Finance expenses	(308)	(808)
Share of profit (loss) of investments accounted for using equity method	(2)	(807)
Profit before income taxes	14,363	10,536
Income taxes	(4,405)	(4,116)
Profit for the year	9,959	6,420
Profit attributable to:		
Owners of the parent	9,959	6,457
Non-controlling interests	—	(36)
Profit for the year	9,959	6,420
Earnings per share		
Basic earnings per share (yen)	85.81	55.64
Diluted earnings per share (yen)	85.65	55.48

(3) Consolidated statement of comprehensive income

(in millions, JPY)

	Fiscal Year Ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)
Profit for the year	9,959	6,420
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(371)	69
Effective portion of changes in fair value of cash flow hedges	(65)	(1)
Total of items that may be reclassified subsequently to profit or loss	(436)	68
Other comprehensive income after taxes	(436)	68
Total comprehensive income for the year	<u>9,523</u>	<u>6,488</u>
Attributable to:		
Owners of the parent	9,523	6,524
Non-controlling interests	—	(36)
Total comprehensive income for the year	<u>9,523</u>	<u>6,488</u>

(4) 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 October 1, 2018	100	15,863	25,663	(0)	(790)	40,835	—	40,835
Profit for the year			9,959			9,959		9,959
Other comprehensive income					(436)	(436)		(436)
Total comprehensive income	—	—	9,959	—	(436)	9,523	—	9,523
Capital reduction					(913)	(913)		(913)
Exercise of subscription rights to shares			(1,419)		1,764	344		344
Share-based payment transactions			8		37	44		44
Dividends		(116)	(2,350)			(2,466)		(2,466)
Total transactions with the owners	—	(116)	(3,763)	—	887	(2,991)	—	(2,991)
Balance as of September 30, 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 year			6,457			6,457	(36)	6,420
Other comprehensive income					67	67	0	68
Total comprehensive income	—	—	6,457	—	67	6,524	(36)	6,488
Lapse of subscription rights to shares			6		(6)	—		—
Share-based payment transactions					183	183		183
Dividends			(2,611)			(2,611)		(2,611)
Capital increase of consolidated subsidiaries						—	10	10
Sales of shares of consolidated subsidiaries						—	5	5
Change in scope of consolidation						—	33	33
Total transactions with the owners	—	—	(2,605)	—	177	(2,429)	49	(2,380)
Balance as of September 30, 2020	100	15,747	35,156	(0)	(95)	50,908	13	50,920

(5) Consolidated statement of cash flows

(in millions, JPY)

	Fiscal Year Ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	14,363	10,536
Depreciation and amortization	4,794	15,217
Impairment losses	584	1,742
Finance income	(128)	(90)
Finance expenses	301	797
Amount of rent offset by lease and guarantee deposits	298	285
Share of loss (profit) of entities accounted for using equity method	2	807
Increase/decrease in trade and other receivables, (increase)	(1,060)	(2,456)
Increase/decrease in inventories, (increase)	19	(382)
Increase/decrease in trade and other payables, (decrease)	2,355	510
Others	625	544
Subtotal	22,152	27,510
Interest and dividend income received	2	3
Interest paid	(155)	(644)
Income taxes paid	(4,690)	(2,947)
Net cash from operating activities	17,309	23,923
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,416)	(12,286)
Purchase of intangible assets	(309)	(313)
Payments for lease and guarantee deposits	(1,033)	(1,264)
Equity method investment	(1,994)	(1,156)
Others	70	140
Cash flows from investing activities	(10,682)	(14,879)
Cash flows from financing activities		
Proceeds from issuance of bonds	—	9,946
Repayments of long-term borrowings	(4,168)	(4,168)
Repayments of lease obligations	(1,049)	(9,982)
Payments for commission fees	(7)	(10)
Payments for acquisition of subscription rights to shares	(945)	—
Capital contribution from non-controlling interests	—	44
Cash dividends paid	(2,465)	(2,610)
Others	57	55
Cash flows from financing activities	(8,578)	(6,724)
Net increase/decrease in cash and cash equivalents, (decrease)	(1,951)	2,320
Cash and cash equivalents at beginning of year	12,386	10,341
Effect of exchange rate changes on cash and cash equivalents	(94)	4
Cash and cash equivalents at end of year	10,341	12,665

(6) Notes on consolidated financial statements
 (Notes regarding assumption of a going concern)
 Not applicable.

(Changes in accounting policies)

The Sushiro Group has applied the following standards from the 1st quarter of the consolidated fiscal year ending September 30, 2020.

Standard	Standard name	Summary of new standards and amendments
IFRS 16	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 fiscal year ending September 30, 2020 increased 162 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)

"Share of profit (loss) of investments accounted for using equity method" included in "Finance expenses" for the year ended September 30, 2019 is presented separately for the year ended September 2020 as it became material. The consolidated financial statements for the year ended September 30, 2019 were reclassified to reflect this change in presentation.

As a result, ¥310 million of "Finance expenses" presented in the Consolidated statement of profit and loss for the year ended September 30, 2019 is reclassified to ¥308 million of "Finance expenses" and ¥2 million of "Share of profit (loss) of investments accounted for using equity method".

(Condensed Consolidated Statement of Cash Flows)

"Share of loss (profit) of entities accounted for using equity method" included in "Finance expenses" in "Cash Flow from Operating Activities" for the year ended September 30, 2019 is presented separately for the year ended September 2020 as it became material. The consolidated financial statements for the year ended September 30, 2019 were reclassified to reflect this change in presentation.

As a result, ¥303 million of "Finance expenses" in "Cash Flow from Operating Activities" presented in the consolidated statement of cash flows for the year ended September 30, 2019 is reclassified to ¥301 million of "Finance expenses" and ¥2 million of "Share of loss (profit) of entities accounted for using equity method".

(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 follows.

	Fiscal Year Ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)
Employee benefits	54,844	57,775
Depreciation and amortization	4,710	15,163
Utilities expenses	4,494	4,519
Other	24,098	16,942
Total	88,146	94,398

Note: The financial materiality of "Rents" listed in the breakdown by type of selling, general and administrative expenses in the consolidated fiscal year 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 8,761 million yen in the consolidated fiscal year ended June 30, 2019. Additionally, a 9,486 million yen increase in "Depreciation and amortization" compared with the consolidated fiscal year ended June 30, 2019 is likewise due to the application of IFRS16 "Leases."

(Earnings per share)

	Fiscal Year Ended September 30, 2019 (From October 1, 2018 to September 30, 2019)	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)
Profit for the year attributable to common shareholders of the parent (million yen)	9,959	6,457
Profit for the year attributable to common shareholders used in calculations for basic earnings per share (million yen)	9,959	6,457
Profit for the year attributable to common shareholders used in calculations for diluted earnings per share (million yen)	9,959	6,457
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	215,276	333,346
Average number of common shares during the period after dilution	116,265,012	116,383,082
Basic earnings per share (yen)	85.81	55.64
Diluted earnings per share (yen)	85.65	55.48
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 83 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.