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Consolidated Financial Results for the Fiscal Year Ended September 30, 2021 [IFRS]

November 5, 2021

Listed company name: FOOD & LIFE COMPANIES LTD. Listed stock exchange: TSE
 Securities code: 3563 URL: <http://www.food-and-life.co.jp>
 Representative: President & CEO Koichi Mizutome
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 Scheduled date of annual general meeting of shareholders: December 23, 2021 Scheduled date to commence dividend payment: December 24, 2021
 Scheduled filing date to file Annual Securities Report: December 24, 2021
 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, 2021 (October 1, 2020 to September 30, 2021)

(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, 2021	240,804	17.5	22,901	89.9	21,584	104.9	13,119	104.3	13,185	104.2	14,025	116.2
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)

	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, 2021	113.61	113.05	23.2	8.1	9.5
Fiscal year ended September 30, 2020	55.64	55.48	13.2	5.6	5.9

Reference: Investment gains/losses by equity method:

Fiscal Year Ended September 30, 2021: -541 million yen

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

: Adjusted profit for the year: Fiscal Year Ended September 30, 2021: 13,120 million yen (104.3% year-on-year)

Fiscal Year Ended September 30, 2020: 6,421 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, 2021	296,001	63,573	63,569	21.3	552.48
Fiscal year ended September 30, 2020	237,265	50,920	50,908	21.4	436.63

(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, 2021	31,679	(17,286)	2,107	29,367
Fiscal year ended September 30, 2020	23,923	(14,879)	(6,724)	12,665

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, 2020	—	0.00	—	15.00	15.00	1,741	27.0	3.6
Fiscal year ended September 30, 2021	—	0.00	—	22.50	22.50	2,612	19.8	4.5
Fiscal Year Ending September 30, 2022 (forecast)	—	0.00	—	22.50	22.50		21.8	

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, 2022 (October 1, 2021 to September 30, 2022)

(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	%	
Fiscal Year Ending September 30, 2022	310,000	28.7	21,000	(8.3)	19,000	(12.0)	12,000	(8.5)	12,000	(9.0)	Yen 103.39

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

SUSHIRO (CHINA) INVESTMENT CO.,LTD.

New: Guangzhou Sushiro Restaurants Co., Ltd.

KYOTARU CO., LTD and 2 more companies

Excluded: Sharetea Japan Co., Ltd.

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

1) Changes in accounting policies required by IFRS: None

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)	Fiscal year ended September 30,2021	116,069,184 shares	Fiscal year ended September 30, 2020	116,049,984 shares
b. Number of treasury shares at the end of the period	Fiscal year ended September 30,2021	248 shares	Fiscal year ended September 30, 2020	248 shares
c. Average number of shares during the period (cumulative from the start of the fiscal year)	Fiscal year ended September 30,2021	116,059,047 shares	Fiscal year ended September 30,2020	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 forward-looking statements in this document, including earnings forecasts, are based on information available to the Company as of the date of publication. However, there are many uncertain factors, including the future impact of the spread of COVID-19. Consequently, actual results may differ from the current earnings forecasts.

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 year using the formula below.

Adjusted profit for the year = Profit for the year + 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.

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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, 2021, the Japanese economy experienced a significant impact on consumer spending as a result of the continued intermittent priority measures to prevent the spread of infections and declarations of a state of emergency due to the COVID-19 pandemic which has persisted since the fiscal year ended September 30, 2020. At present, although the number of new cases is declining due to the vaccine rollout, the signs of economic recovery are still uncertain.

The restaurant sector has been significantly impacted by the spread of COVID-19, and it will take some time for consumer confidence to recover. The environment surrounding the restaurant sector is also undergoing major change, such as the increasing use of takeout and delivery services.

Under such circumstances, FOOD & LIFE COMPANIES LTD. worked to enhance product development, in-store food preparation, and health and safety initiatives and services with "Discovering new tastiness, Sharing moments of joy" as our Vision, and the desire to surprise and move our customers with delicious sushi.

In addition, on April 1, 2021, the Company acquired the shares of KYOTARU CO., LTD., which manages the Kyotaru brand of takeout sushi, making it a wholly-owned subsidiary in an effort to adapt to the changes in consumer behavior during and after the COVID-19 pandemic.

In addition, store count by business format is as follows.

Group store count by business format

Name of brand	Fiscal year ended September 30 2020	Store openings	Store closures	Fiscal year ended September 30 2021
Japan: Sushiro (TOGO)	559 (—)	52 (15)	1	610 (15)
Japan: Sugidama (FC)	25 (3)	18 (5)	4 (2)	39 (6)
Japan: Kyotaru	—	154	—	154 (—)
Japan: Kaisen Misakiko/Misakimaru	—	108	2	106 (—)
Japan: Others	2(—)	32	5	29 (—)
Japan total	586 (3)	364 (20)	12 (2)	938 (21)
Overseas: Sushiro (TOGO)	38(—)	22 (1)	1	59 (1)
Overseas: Others	—	2	—	2(—)
Overseas total	38(—)	24(1)	1	61(1)
Total	624 (3)	388 (21)	13 (2)	999 (22)

Figures in parentheses show the number of take out only and FC stores.

Note: Store openings include the increase due to a business combination.

As a result, revenue for the consolidated fiscal year ended September 30, 2021, totaled 240,804 million yen (+17.5% year on year), operating profit 22,901 million yen (+89.9% year on year), profit before income taxes 21,584 million yen (+104.9% year on year), and profit for the year attributable to owners of the parent 13,185 million yen (+104.2% year on year).

In addition, adjusted profit for the year came to 13,120 million yen (104.3% year on year).

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

2) Outlook for the next period

The Company forecasts revenue of 310,000 million yen (+28.7% year on year), operating profit of 21,000 million yen (-8.3% year on year), and profit for the year attributable to owners of the parent of 12,000 million yen (-9.0% year on year).

(2) Overview of financial position during the period

(Assets)

The balance of total assets increased 58,735 million yen from the end of the previous consolidated fiscal year to 296,001 million yen.

The balance of current assets increased 27,666 million yen from the end of the previous consolidated fiscal year to 48,841 million yen. This mainly reflected a 16,702 million yen increase in cash and cash equivalents and a 9,861 million yen increase in trade and other receivables.

The balance of non-current assets increased 31,069 million yen from the end of the previous consolidated fiscal year to 247,159 million yen. This was mainly reflected a 26,886 million yen increase in property, plant and equipment resulting from the acquisition of KYOTARU CO., LTD. and 2 more subsidiaries and new store opening etc., and a 3,511 million yen increase in lease and guarantee deposits.

(Liabilities)

Total liabilities increased 46,083 million yen from the end of the previous consolidated fiscal year to 232,428 million yen.

The balance of current liabilities decreased 18,942 million yen from the end of the previous consolidated fiscal year to 59,860 million yen. This mainly reflected a 4,526 million yen increase in trade and other payables, a 4,352 million yen increase in income taxes payable a 2,295 million yen increase in lease liabilities a 2,090 million yen increase in provisions, alongside a 32,692 million yen decrease in borrowings.

The balance of non-current liabilities increased 65,025 million yen from the end of the previous consolidated fiscal year to 172,568 million yen. This mainly reflected a 48,909 million yen increase in bonds and borrowings resulting from issuance of bonds and long-term borrowings and a 17,237 million yen increase in lease liabilities.

(Equity)

Total equity increased 12,653 million yen from the end of the previous consolidated fiscal year to 63,573 million yen. This mainly reflected a 1,741 million yen decrease in retained earnings resulting from cash dividends paid and the booking of 13,185 million yen in profit for the period.

(3) Cash flows during the period

In the consolidated fiscal year ended September 30, 2021, cash and cash equivalents increased 16,702 million yen on year to 29,367 million yen.

The breakdown of cash flows by activities and underlying factors for the consolidated fiscal year ended September 30, 2021 is shown below.

(Cash flows from operating activities)

Cash provided by operating activities totaled 31,679 million yen (+32.4% year on year).

This mainly reflected the booking of 21,584 million yen in profit before income taxes, 18,565 million yen in depreciation and amortization and 2,361 million yen in impairment losses, alongside a 8,077 million yen increase in trade and other receivables, 1,391 million yen decrease in trade and other payable and 5,525 million yen in income taxes paid.

(Cash flows from investing activities)

Cash used in investing activities came to 17,286 million yen (+16.2% year on year).

This was mainly attributable to 13,273 million yen in purchase of property, plant and equipment accompanying new store openings, to 2,289 million yen in purchase of subsidiaries, to 1,500 million yen in payments for lease and guarantee deposits.

(Cash flows from financing activities)

Cash gained in financing activities amounted to 2,107 million yen (cash used amounted to 6,724 million yen in previous year).

This mainly reflected 35,000 million yen in proceeds from long term borrowings, 19,918 million yen in proceeds from issuance of bonds, alongside 38,745 million yen in repayments of long-term borrowings, 12,298 million yen in repayments of lease obligations and 1,739 million yen in cash dividends paid.

Reference: Trends in cash flow indicators

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Ratio of equity attributable to owners of the parent (%)	34.7	21.4	21.3
Ratio of equity attributable to owners of the parent on market value basis (%)	154.7	129.5	202.3
Cash flows to interest-bearing debt ratio (%)	243.6	570.0	543.3
Interest coverage ratio (x)	111.7	37.2	41.7

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 22.50 yen for the fiscal year ended September 30, 2021 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 22.50 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, 2020	Fiscal Year Ended September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	12,665	29,367
Trade and other receivables	5,142	15,004
Inventories	1,687	2,146
Other financial assets	290	442
Other current assets	1,391	1,883
Total current assets	21,175	48,841
Non-current assets		
Property, plant and equipment	119,667	146,554
Goodwill	30,371	30,541
Intangible assets	54,621	54,634
Equity method investment	2,171	1,855
Lease and guarantee deposits	8,671	12,182
Other financial assets	6	487
Deferred tax assets	—	411
Other non-current assets	582	496
Total non-current assets	216,090	247,159
Total assets	237,265	296,001
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	22,150	26,676
Borrowings	36,701	4,009
Income taxes payable	2,479	6,831
Lease liabilities	10,819	13,115
Other financial liabilities	726	1,419
Provisions	1,287	3,377
Other current liabilities	4,640	4,432
Total current liabilities	78,802	59,860
Non-current liabilities		
Trade and other payables	31	46
Bonds and Borrowings	9,987	58,896
Lease liabilities	78,857	96,094
Other financial liabilities	62	86
Provisions	2,257	3,233
Deferred tax liabilities	16,307	14,175
Other non-current liabilities	43	38
Total non-current liabilities	107,543	172,568
Total liabilities	186,345	232,428
Equity		
Capital stock	100	100
Capital surplus	15,747	15,755
Retained earnings	35,156	46,584

	Fiscal Year Ended September 30, 2020	Fiscal Year Ended September 30, 2021
Treasury stock	(0)	(0)
Other components of equity	(95)	1,130
Total equity attributable to owners of the parent	50,908	63,569
Non-controlling interests	13	4
Total equity	50,920	63,573
Total liabilities and equity	237,265	296,001

(2) Consolidated statement of profit and loss

(in millions, JPY)

	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	Fiscal Year Ended September 30, 2021 (From October 1, 2020 to September 30, 2021)
Revenue	204,957	240,804
Cost of sales	(97,244)	(110,577)
Gross profit	107,713	130,227
Selling, general and administrative expenses	(94,398)	(115,668)
Other income	619	11,119
Other expenses	(1,872)	(2,777)
Operating profit	12,061	22,901
Finance income	90	68
Finance expenses	(808)	(844)
Share of profit (loss) of investments accounted for using equity method	(807)	(541)
Profit before income taxes	10,536	21,584
Income taxes	(4,116)	(8,465)
Profit for the year	6,420	13,119
Profit attributable to:		
Owners of the parent	6,457	13,185
Non-controlling interests	(36)	(66)
Profit for the year	6,420	13,119
Earnings per share		
Basic earnings per share (yen)	55.64	113.61
Diluted earnings per share (yen)	55.48	113.05

(3) Consolidated statement of comprehensive income

(in millions, JPY)

	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	Fiscal Year Ended September 30, 2021 (From October 1, 2020 to September 30, 2021)
Profit for the year	6,420	13,119
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of finance assets measured at fair value through other comprehensive income	—	25
Total of items that will not be reclassified to profit or loss	—	25
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	69	883
Effective portion of changes in fair value of cash flow hedges	(1)	(3)
Total of items that may be reclassified subsequently to profit or loss	68	880
Other comprehensive income after taxes	68	906
Total comprehensive income for the year	6,488	14,025
Attributable to:		
Owners of the parent	6,524	14,091
Non-controlling interests	(36)	(66)
Total comprehensive income for the year	6,488	14,025

(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, 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
Profit for the year			13,185			13,185	(66)	13,119
Other comprehensive income					906	906	—	906
Total comprehensive income	—	—	13,185	—	906	14,091	(66)	14,025
Capital reduction	(7)	7				—		—
Exercise of subscription rights to shares	7	7			(13)	0		0
Lapse of subscription rights to shares			3		(3)	—		—
Share-based payment transactions					336	336		336
Dividends			(1,741)			(1,741)		(1,741)
Capital increase of consolidated subsidiaries						—	56	56
Purchase of shares of consolidated subsidiaries		(6)				(6)	6	—
Change in scope of consolidation			(19)			(19)	(4)	(24)
Total transactions with the owners	—	8	(1,757)	—	319	(1,430)	58	(1,372)
Balance as of September 30, 2021	100	15,755	46,584	(0)	1,130	63,569	4	63,573

(5) Consolidated statement of cash flows

(in millions, JPY)

	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	Fiscal Year Ended September 30, 2021 (From October 1, 2020 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	10,536	21,584
Depreciation and amortization	15,217	18,565
Impairment losses	1,742	2,361
Finance income	(90)	(67)
Finance expenses	797	871
Amount of rent offset by lease and guarantee deposits	285	275
Share of loss (profit) of entities accounted for using equity method	807	541
Increase/decrease in trade and other receivables, (increase)	(2,456)	(8,077)
Increase/decrease in inventories, (increase)	(382)	61
Increase/decrease in trade and other payables, (decrease)	510	1,391
Others	544	417
Subtotal	27,510	37,921
Interest and dividend income received	3	43
Interest paid	(644)	(761)
Income taxes paid	(2,947)	(5,525)
Net cash from operating activities	23,923	31,679
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,286)	(13,273)
Proceeds from sales of property, plant and equipment	1	252
Purchase of intangible assets	(313)	(328)
Payments into time deposits	—	(460)
Proceeds from withdrawal of time deposits	—	460
Payments for lease and guarantee deposits	(1,264)	(1,500)
Purchase of investment securities	—	(227)
Purchase of subsidiaries	—	(2,289)
Equity method investment	(1,156)	—
Others	139	78
Cash flows from investing activities	(14,879)	(17,286)
Cash flows from financing activities		
Proceeds from issuance of bonds	9,946	19,918
Proceeds from long-term borrowings	30	35,000
Repayments of long-term borrowings	(4,168)	(38,745)
Repayments of lease obligations	(9,982)	(12,298)
Payments for commission fees	(10)	(15)
Capital contribution from non-controlling interests	44	14
Cash dividends paid	(2,610)	(1,739)
Others	25	(28)
Cash flows from financing activities	(6,724)	2,107
Net increase/decrease in cash and cash equivalents, (decrease)	2,320	16,499

	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	Fiscal Year Ended September 30, 2021 (From October 1, 2020 to September 30, 2021)
Cash and cash equivalents at beginning of year	10,341	12,665
Effect of exchange rate changes on cash and cash equivalents	4	203
Cash and cash equivalents at end of year	12,665	29,367

(6) Notes on consolidated financial statements

(Notes regarding assumption of a going concern)

Not applicable.

(Changes in Method of Presentation)

(Condensed Consolidated Statement of Cash Flows)

" Proceeds from sales of property, plant and equipment " included in "Others" in "Cash flow from investing activities" for the year ended September 30, 2020 is presented separately for the year ended September 2021 as it became material. The consolidated financial statements for the year ended September 30, 2020 were reclassified to reflect this change in presentation.

As a result, ¥140 million of "Others" in "Cash Flow from investing activities" presented in the consolidated statement of cash flows for the year ended September 30, 2020 is reclassified to ¥1 million of "Proceeds from sales of property, plant and equipment" and ¥139 million of "Others".

" Proceeds from long-term borrowings " included in "Others" in "Cash flows from financing activities" for the year ended September 30, 2020 is presented separately for the year ended September 2021 as it became material. The consolidated financial statements for the year ended September 30, 2020 were reclassified to reflect this change in presentation.

As a result, ¥55 million of "Others" in "Cash flow from financing activities" presented in the consolidated statement of cash flows for the year ended September 30, 2020 is reclassified to ¥30 million of "Proceeds from long-term borrowings" and ¥25 million of "Others".

(Segment information)

(1) Segment revenues and operating results

As the Group only has a single segment consisting of the sushi business, the description of revenues, earnings and other items by business segment is omitted.

(2) Information by product and service

As the Group sells a single product and service, revenues by product and service are omitted.

(3) Information by region

As domestic sales revenue from external customers accounts for the majority of revenue in the consolidated statement of profit and loss, the description of revenue by region is omitted.

Since the book value of non-current assets in Japan accounts for the majority of non-current assets in the consolidated statement of financial position, the description of non-current assets by region is omitted.

(4) Information on major customers

Information on major customers is omitted as there is no single external customer that accounts for 10% or more of the Group's revenue.

(Business combination)

(Acquisition of shares of KYOTARU CO., LTD.)

(1) Outline of Business Combination

(a) Name and business description of the acquired company

Name of the acquired company: KYOTARU CO., LTD. and its two subsidiaries

Business description: Food service business

(b) Date of acquisition

April 1, 2021

(c) Percentage of equity interest with voting rights acquired

100%

(d) Method of gaining control of the company acquired

Acquisition of shares for cash consideration

(e) Main reasons for the acquisition

Kyotaru, which is operated by KYOTARU CO., LTD., is a very attractive business with high name recognition in the takeout sushi market and stores in prime locations. KYOTARU CO., LTD. also operates kaiten (conveyor belt) sushi restaurant Kaisen Misakiko and specialty sushi restaurant Sushi Misakimaru with stores mainly in the Tokyo metropolitan area and the Kanto region in which the Group has significant margin to expand its market share. As is the case with Kyotaru, the Group considers that Kaisen Misakiko and Sushi Misakimaru are very attractive businesses for expanding its operations in that region.

(2) Fair value of assets and liabilities as of the date of the business combination

(Unit: Millions of yen)

Item	Amount
Current assets	4,254
Cash and cash equivalents	2,012
Trade and other receivables	1,634
Other	609
Non-current assets	10,460
Property, plant and equipment	7,181
Other	3,279
Total assets	14,715
Current liabilities	6,363
Trade and other payables	2,292
Lease obligations	1,938
Other	2,133
Non-current liabilities	4,221
Lease obligations	3,603
Other	618
Total liabilities	10,584
Fair value of assets acquired and liabilities assumed, net	4,131

Notes 1. In the 3rd quarter of the consolidated fiscal year, the allocation of acquisition costs was completed with the completion of fair value evaluation.

2. The fair value of trade and other receivables included in the acquired current assets is 1,634 million yen. Of this, the total of contractual amounts receivable is 1,634 million yen, and there are no contractual cash flows not expected to be collected.

(3) Transfer consideration and goodwill

(Unit: Millions of yen)

Item	Amount
Transfer consideration (cash)	4,300

Fair value of assets acquired and liabilities assumed, net	4,131
Non-controlling interests	2
Goodwill	170

Notes 1. The transfer consideration includes 4,241 million yen for the acquisition of receivables from the acquired company, in addition to the consideration for the shares of the acquired company.

2. Non-controlling interests relate to the subsidiaries of KYOTARU CO.,LTD and are measured by multiplying the net assets at the acquisition date by the percentage of non-controlling interest.
3. Goodwill mainly reflects future excess earning capacity and synergies with existing businesses. The amount of goodwill is not expected to be included in deductible expenses for tax purposes.

(4) Acquisition-related expenses

Account title: Selling, general and administrative expenses

Amount: 235 million yen

(5) Impact on business results

The revenue and quarterly profit generated by KYOTARU CO., LTD. and the two other companies since the acquisition date are 9,267 million yen and 151 million yen, respectively. Assuming the business combination was implemented at the beginning of the current consolidated fiscal year, revenue and quarterly profit (pro forma information) for the nine months ended June 30, 2021 are 251,367 million yen and 12,376 million yen, respectively.

The pro forma information (unaudited information) has not been the subject of quarterly review.

(6) Impact of business combination on cash flows

(Unit: Millions of yen)

Item	Amount
Payment of acquisition cost	(4,300)
Cash and cash equivalents	2,012
Payment for acquisition of subsidiaries	(2,289)

(Selling, general and administrative expenses)

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

	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	Fiscal Year Ended September 30, 2021 (From October 1, 2020 to September 30, 2021)
Employee benefits	57,775	67,885
Depreciation and amortization	15,163	18,504
Utilities expenses	4,519	5,060
Other	16,942	24,220
Total	94,398	115,668

(Earnings per share)

	Fiscal Year Ended September 30, 2020 (From October 1, 2019 to September 30, 2020)	Fiscal Year Ended September 30, 2021 (From October 1, 2020 to September 30, 2021)
Profit for the year attributable to common shareholders of the parent (million yen)	6,457	13,185
Profit for the year attributable to common shareholders used in calculations for basic earnings per share (million yen)	6,457	13,185
Profit for the year attributable to common shareholders used in calculations for diluted earnings per share (million yen)	6,457	13,185
Average number of shares during the period	116,049,736	116,059,047
Increase in number of common shares used in calculation for diluted earnings per share	333,346	571,081
Average number of common shares during the period after dilution	116,383,082	116,630,128
Basic earnings per share (yen)	55.64	113.61
Diluted earnings per share (yen)	55.48	113.05
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)	A kind of subscription rights to shares (Common shares 23 thousand shares)

(Important subsequent events)

(Change in segment classification)

In the fiscal year ended September 30, 2021, the Group only had a single segment consisting of the sushi business. However, from the fiscal year ending September 30, 2022, the Group has changed its segment classifications to the Japan Sushiro Business, the Overseas Sushiro Business, the Kyotaru Business and Other Businesses.

The new reportable segments are primarily the priority businesses in the FOOD & LIFE COMPANIES 2022-2024 Medium-Term Management Plan. They are the constituent units of the Group for which separate financial information is available and are subject to periodic review in order to determine the allocation of management resources and evaluate performance.

The major brands included in each of the reportable segments are as follows.

Japan Sushiro Business: Sushiro and Sushiro takeout stores in Japan

Overseas Sushiro Business: Sushiro and Sushiro takeout stores operating overseas

Kyotaru Business: All brands managed by KYOTARU CO., LTD.

(major brands: Kyotaru and Kaisen Misakiko)

Other Businesses: All brands managed by FOOD & LIFE INNOVATIONS LTD. (major brand: Sugidama)

Information on revenue and profit and loss by reportable segment for the fiscal year ended September 30, 2021 based on the segment classifications after the change is as follows.

Fiscal year ended September 30, 2021 (October 1, 2020 to September 30, 2021)

(Unit: Millions of yen)

	Reportable segment				Total	Total adjustments	Consolidated total
	Japan Sushiro Business	Overseas Sushiro Business	Kyotaru Business	Other			
Revenue							
External revenue	213,084	16,983	9,267	1,469	240,804	—	240,804
Intersegment revenue	153	—	—	—	153	(153)	—
Total	213,237	16,983	9,267	1,469	240,956	(153)	240,804
Segment profit (loss)	25,818	(1,208)	181	(1,198)	23,593	(692)	22,901
Other Items							
Depreciation and amortization	14,512	2,595	846	307	18,260	304	18,565
Impairment loss	704	542	393	721	2,361	—	2,361

Notes 1. Segment profit (loss) is reconciled with operating profit on the consolidated statement of profit and loss.

2. Adjustment of (692 million) yen in segment profit (loss) is mainly for corporate expenses not attributable to any reportable segment.

(Acquisition of treasury stock)

The meeting of the Company's Board of Directors held on November 5, 2021 passed a resolution on matters related to the acquisition of treasury stock in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act and Article 36 of the Company's Articles of Incorporation.

1. Reason for the acquisition of treasury stock

To be appropriated for shares to be delivered upon exercise of stock options (stock acquisition rights).

2. Resolutions regarding the acquisition of treasury stock

- (1) Type of shares to be acquired Common stock of the Company
- (2) Total number of shares that can be acquired 550,000 share (upper limit)
(0.47% of the total number of shares issued (excluding treasury stock))
- (3) Total acquisition cost of shares 2 billion yen (upper limit)
- (4) Acquisition period November 15, 2021 to December 17, 2021
- (5) Acquisition method Market purchase on the Tokyo Stock Exchange.