

Financial Highlights and Supplementary Data

FY2022/Q3

Aug 4, 2022



FOOD & LIFE
COMPANIES

[Consolidated] Financial Highlights, FY22/Q3 (cumulative) vs. FY21/Q3 (cumulative)

- Revenue of Domestic Sushiro Business (the group's core brand), faced difficult conditions in June, with revenue LFL falling below 100%. On the other hand, for Overseas Sushiro Business, revenue exceeded 10 bil. JPY in Q3 accounting for 14.2% of the group total.
- Profits dropped sharply due to the absence of the 4 bil. JPY Advantageous Procurement effect in FY21, the losses from Impairment (in Other Expenses) and from Equity Method Investment (in Finance Expenses).

(in millions, JPY)	FY21/Q3 (cumulative)		FY22/Q3 (cumulative)		YoY%
	Actual	% in Revenue	Actual	% in Revenue	
Revenue	178,751	—	211,937	—	18.6%
Operating Profit	18,245	10.2%	12,372	5.8%	▲ 32.2%
Profit before Income Taxes	17,293	9.7%	10,173	4.8%	▲ 41.2%
Profit for the Period	10,702	6.0%	5,252	2.5%	▲ 50.9%
Adjusted * Operating Profit	14,871	8.3%	11,893	5.6%	▲ 20.0%
COGS	81,401	45.5%	98,372	46.4%	0.9pt
Store Count	971	—	1065	—	94

* Adjusted Operating Profit = Revenue – COGS – SG&A

[Consolidated] Financial Highlights, By Segment, FY22/Q3 (cumulative) vs. FY21/Q3 (cumulative)

- **[Sushiro Japan]** Adding to the delay in customer count recovery due to consumer's consumption behavior change caused by COVID, the administrative order issued for violation of the Act Against Unjustifiable Premiums and Misleading Representations by Consumer Affairs Agency caused a loss of customer trust, resulting in decline in customer count and significantly lower revenue than expected.
- **[Sushiro Overseas]** The performance has been on a steady recovery trend after the lifting of COVID restrictions. Despite the delays in new store opening due to COVID, its overall performance remained solid.
- **[Other Business]** While the business continued to operate in tough environment, the business reforms are underway through rebranding to "W-Brand - Kyotaru/Sushiro" and "Kaiten-Sushi Misaki"

	Sushiro Japan			Sushiro Overseas			Kyotaru Business			Other Business		
	FY21 Q3	FY22 Q3	Increase/Decrease	FY21 Q3	FY22 Q3	Increase/Decrease	FY21 Q3	FY22 Q3	Increase/Decrease	FY21 Q3	FY22 Q3	Increase/Decrease
(in millions, JPY)												
Revenue	160,937	167,754	4.2%	12,129	25,398	109.4%	4,542	15,844	248.8%	1,143	2,941	157.2%
Operating Profit (w/o loyalty exchange)	19,177	14,797	▲22.8%	▲507	1,531	—	321	▲1,154	—	▲916	▲344	—
Depreciation & Amortization	10,719	11,870	10.7%	1,819	3,097	70.2%	423	1,240	192.8%	231	304	31.8%
Impairment	269	1,705	533.6%	405	542	33.7%	—	878	—	565	164	▲70.9%
EBITDA	29,897	26,671	▲10.9%	1,312	4,628	252.7%	744	86	▲88.5%	▲685	▲40	—
Store Count	596	645	(49)	51	77	(26)	286	280	(▲6)	38	63	(25)

[Note] (1) EBITDA = Operating Profit adjusted for Depreciation & Amortization

(2) The difference between consolidated operating profit and the sum of operating profits of all segments is the amount of cross-segment transactions as well as the amount of all-company-level expenses that don't belong to above segments.

[Consolidated] Financial Highlights, (by Segment, by Quarter) FY22/Q1, Q2, Q3

		Sushiro Japan		Sushiro Overseas		Kyotaru Business		Other Business	
		Actual	Ratio ⁽¹⁾	Actual	Ratio ⁽¹⁾	Actual	Ratio ⁽¹⁾	Actual	Ratio ⁽¹⁾
		(in millions, JPY)							
Q1 FY22	Revenue	57,424	80.2%	7,493	10.5%	5,708	8.0%	977	1.3%
	Operating Profit ⁽³⁾	4,762	8.3%	605	8.1%	▲467	▲8.2%	▲233	▲23.8%
	Depreciation	3,842	—	840	—	384	—	86	—
	Impairment	292	—	72	—	303	—	130	—
	EBITDA	8,604	15.1%	1,445	19.3%	▲83	▲1.5%	▲147	▲15.0%
Q2 FY22	Revenue	54,849	79.9%	7,756	11.3%	5,060	7.4%	990	1.4%
	Operating Profit ⁽³⁾	6,011	11.0%	50	0.6%	▲299	▲5.9%	▲114	▲11.5%
	Depreciation	4,011	—	1,069	—	437	—	99	—
	Impairment	191	—	368	—	401	—	34	—
	EBITDA	10,022	18.3%	1,119	14.4%	138	2.7%	▲15	▲1.5%
Q3 FY22	Revenue	55,481	77.4%	10,149	14.2%	5,076	7.1%	974	1.3%
	Operating Profit ⁽³⁾	4,025	7.3%	876	8.6%	▲388	▲7.6%	2	0.2%
	Depreciation	4,017	—	1,188	—	419	—	119	—
	Impairment	1,221	—	103	—	174	—	0	—
	EBITDA	8,042	14.5%	2,064	20.3%	30	0.6%	121	12.0%

(1) "Ratio" in the above table : The "Ratio" of "Revenue" of each segment is the percentage in the consolidated revenue. The "Ratio" of "Operating Profit" and "EBITDA" of each segment is the percentage in the segment revenue.

(2) The method of cross-segment transactions was changed from FY22/Q2.

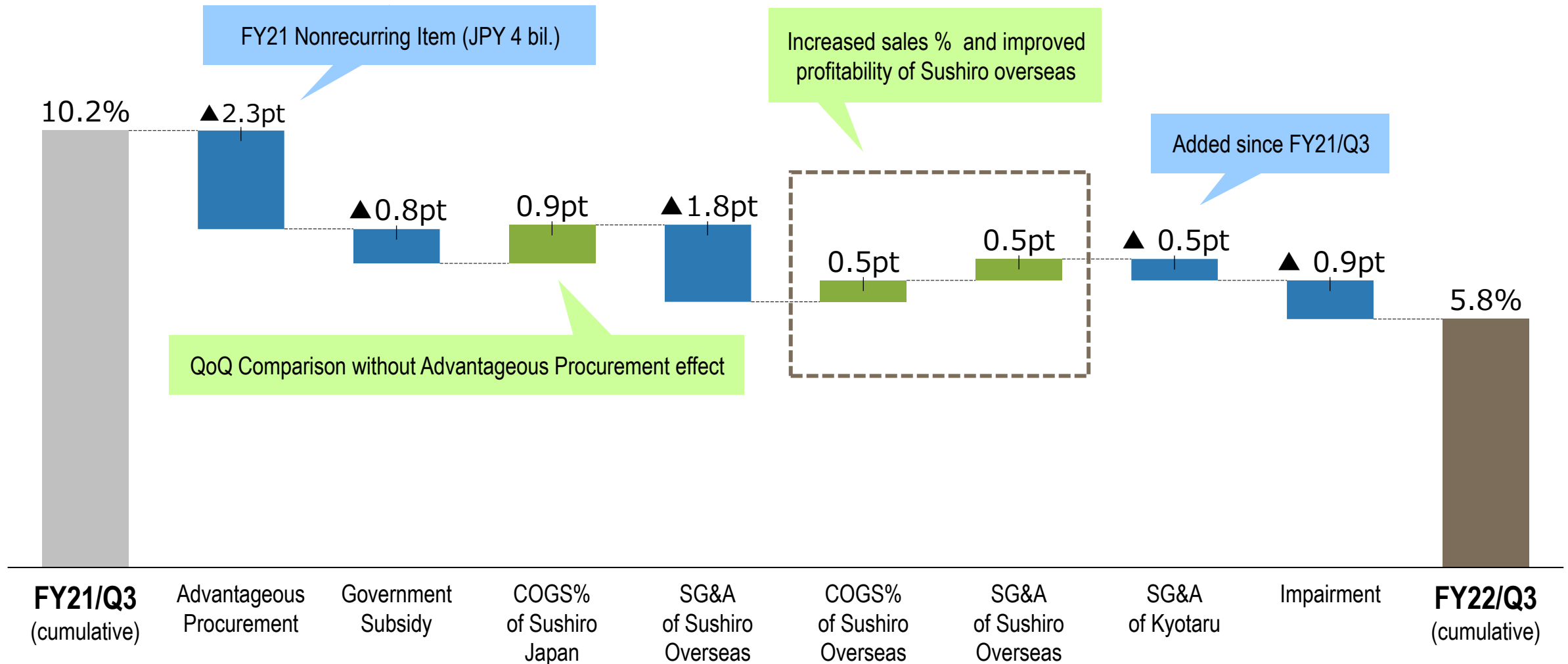
(3) Operating profits shown in above table are the figures without Loyalty Payment.

(4) EBITDA = Operating Profit adjusted for Depreciation & Amortization

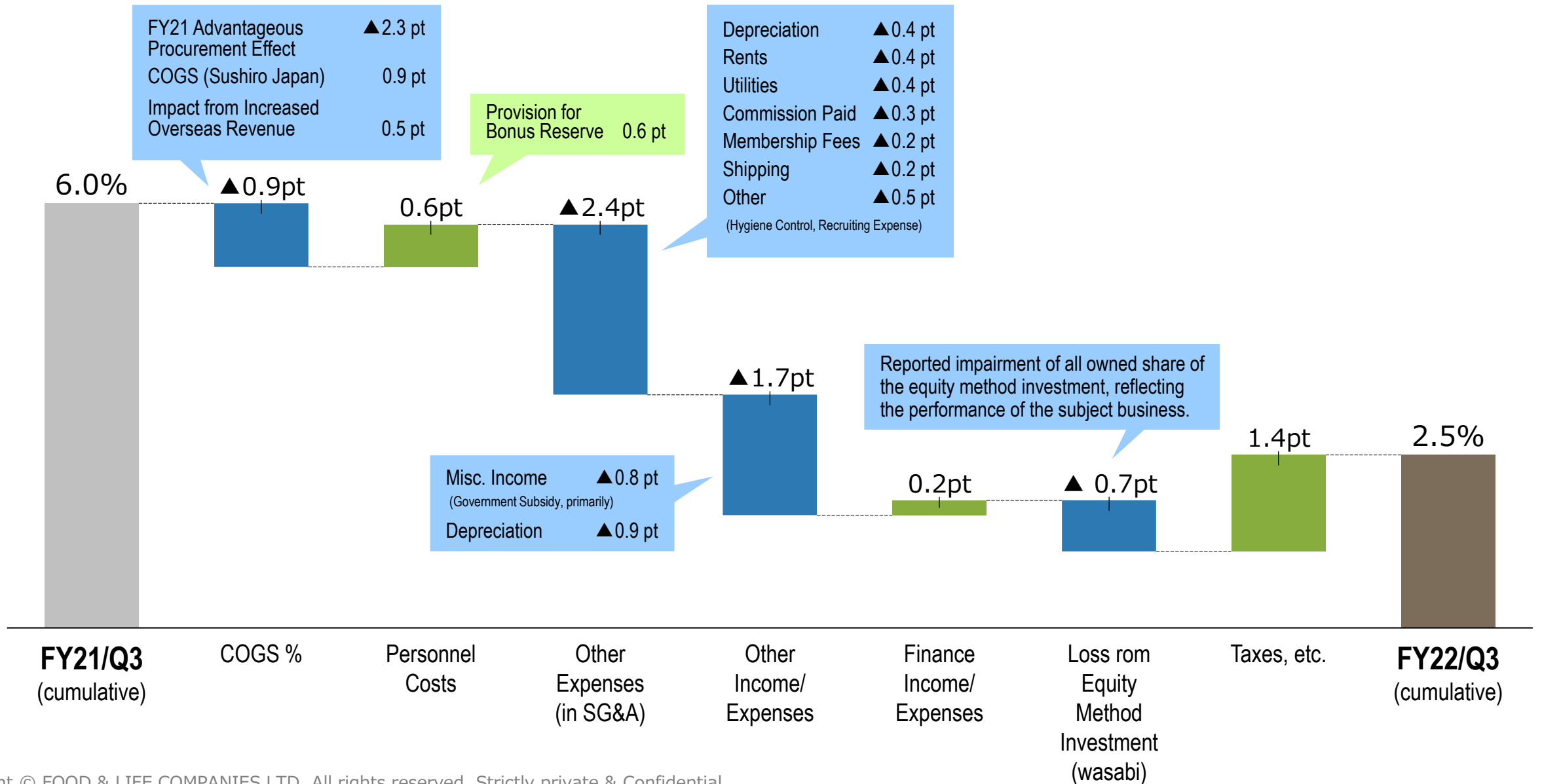
(5) The difference between consolidated operating profit and the sum of operating profits of all segments is the amount of cross-segment transactions as well as the amount of all-company-level expenses that don't belong to above segments.

(6) Kyotaru business was added to the consolidated results for FY21/Q3 onwards.

[Consolidated] Operating Profit, FY22/Q3 (cumulative) vs. FY21/Q3 (cumulative)



[Consolidated] Profit for the Period, FY21/Q3 vs. FY22/Q3



[Consolidated] Financial Position

Consolidated Statement of Financial Position

(in millions, JPY)	FY21/9	FY22/Q3	Change
Current assets	48,841	70,126	21,284
[Cash and cash equivalents]	[29,367]	[55,435]	[26,068]
Non-current assets	247,159	261,367	14,208
[Goodwill]	[30,541]	[30,541]	[-]
Assets	296,001	331,493	35,492
Current liab.	59,860	53,750	▲6,110
[Borrowings]	[4,009]	[4,009]	[-]
Non-current liab.	172,568	211,353	38,785
[Bonds, Borrowings]	[58,896]	[89,913]	[31,017]
Liab.	232,428	265,103	32,675
Equity	63,573	66,390	2,817
Liab. & Equity	296,001	331,493	35,492
Equity Ratio	21.3%	19.8%	▲1.5
Net Debt/EBITDA	1.4x	1.9x	0.5

Consolidated Statement of Cash Flows

(in millions, JPY)	FY21/Q3	FY22/Q3	Change
Operating CF	22,398	24,783	1,384
Investing CF	▲13,423	▲14,227	▲804
Financing CF	6,595	15,623	9,027
Increase/decrease in cash and cash equivalents	15,741	26,068	10,326

Consolidated Financial Position

Assets : [Increase] Cash & Cash Equivalents, Tangible Fixed Assets
[Decrease] Trade & Other Receivables

Liab. : [Increase] Lease Liab., Corporate Bonds & Borrowings [Decrease] Income Tax Payables

Equity : [Increase] Quarterly Earnings [Decrease] Treasury Stocks, Dividends

Consolidated Cash Flows

Operating CF: The amount of decrease in Trade Receivables vs.FY21/Q3 is 9.7 bil JPY more in FY22/Q3 (mainly, Government Subsidy)

Investment CF: Increased due to Store Opening and Labor-Saving Equipment Devel. (of which, 26.6% invested in overseas Sushiro)

Finance CF: [FY22/Q3] Raised JPY 34 bil. thru LT Borrowing

KPIs

Equity Ratio and NetDebt/EBITDA (LTM), both decreased.

ROE lowered from 19.4%(FY21/Q3) to 8.2% (FY22/Q3) due to the decrease in profit.

[All Company] Store Opening/Closing in Japan & Overseas Markets

	FY21/9 at End-of-Term	FY22/Q3			
		OPEN	CLOSE	Increase/ Decrease	Q3 End-of-Term
Suburban Model ⁽¹⁾	564	20	3 ⁽²⁾	17	581
Urban Model	31	7 ⁽²⁾	0	7	38
Takeout Model	15	13	2	11	26
[Japan] Sushiro Brand	610	40	5	35	645
[Japan] Sugidama Brand ⁽³⁾	39	22	1	21	60
[Japan] Kyotaru Brand (Takeout)	154	8	5	3⁽⁴⁾	157
[Japan] Kaitenzushi Misaki Brand (Kaisen Misakiko) & Misakimaru Brand	106	0	4	▲4⁽⁴⁾	102
Standard Model	58	17	0	17	75
Takeout Model	1	1	0	1	2
[Overseas] Sushiro Brand	59	18	0	18	77
Other Brands	31	0	7	▲7	24
All Company Total	999	88	22	66	1,065

[Note] (1) Suburban Model includes four 110-yen trial stores. (2) Conversion from Suburban Model to Urban Model (Suburban -1, Urban +1)
(3) Sugidama Brand includes FC stores (4) Conversion from Misakimaru brand to Kyotaru brand (Misakimaru -1, Kyotaru +1)

[Overseas] Despite the delays in new opening due to COVID, overseas Sushiro recovered strongly and generated a surplus for Q3/FY22.

Korea

COVID Impact : SMALL

Results

Revenue and customer count recovered steadily after removal of COVID restrictions, with its revenue reaching an all-time high.

Challenge

Staff shortages due to COVID still persist. Continue to strengthen recruiting to stabilize OP.

of Stores⁽¹⁾

9 /10 stores (+0)

Hong Kong

COVID Impact : SMALL

Results

As restrictions getting eased, store hours had gone back to normal. Cost control was also successful that HK segment generated a surplus in Q3.

Challenge

Revenue and profits both have been strong, continuing to achieve a surplus. Will further improve its performance by adding more stores.

of Stores

16 /18 stores (+5)

Thailand

COVID Impact : SMALL

Results

With a solid revenue performance, Thai segment for Q3 was profitable.

Challenge

Further strengthen local manager training and eliminate variations in revenue & cost control capabilities across stores.

of Stores

8 /9 stores (+5)

Taiwan

COVID Impact : MEDIUM

Results

TW performance has been recovering as the number of COVID cases is declining after the peak at May/end.

Challenge

Will further improve performance by promotions/PR with increased frequency and strengthened offer.

of Stores

28 /32 stores (+2)

Singapore

COVID Impact : MEDIUM

Results

Revenue LFL has been on the increase. Overall performance is also showing a sign of recovery.

Challenge

Work on resolving staff shortages caused by hiring difficulties, to eliminate lost sales opportunities.

of Stores

10 /15 stores (+1)

Mainland China

Guangzhou
Shenzhen
Chengdu

COVID Impact : MEDIUM

Results

Despite the surge in number of cases in Guangzhou, this segment's revenue continued to exceed its budget.

Challenge

Focus on preparation, especially staff recruiting and training, for the openings in Shenzhen and Chengdu.

of Stores

6 /8 stores (+5)

[Note] 1. # of Stores : Numerator = Total Number of Stores at March end, Denominator = FY22 Target Number, Parenthesis = increase·decrease for FY22/1H

Revenue and Profit Forecast Revision for FY22/9 ①

	FY22 Forecast ① as of Nov 5	FY22 Forecast ② as of May 6	FY22 Forecast ③ as of Aug 4	% Change ③/①	FY21 Actual ④	Growth % ③/④
Revenue	310,000	295,000	280,000	▲9.7%	240,804	16.3%
Operating Profit	21,000	16,000	8,500	▲59.5%	22,901	▲62.9%
% in Revenue	6.8%	5.4%	3.0%	▲3.8pt	9.5%	▲6.5pt
Profit Before Income Taxes	19,000	14,000	6,000	▲68.4%	21,584	▲72.2%
% in Revenue	6.1%	4.7%	2.1%	▲4.0pt	9.0%	▲6.9pt
Profit for the Period	12,000	8,700	3,000	▲75.0%	13,119	▲77.1%
% in Revenue	3.9%	2.9%	1.1%	▲2.8pt	5.4%	▲4.3Pt
Earnings Per Share	103.39	75.18	25.92	▲77.47	113.61	▲87.69
Revenue LFL	108.8%	104.0%	96.4%	▲12.4pt	104.3%	▲7.9pt
New Store Openings	115~153	115~153	111~116	—	388 (101 excl. Kyotaru)	—
COGS %	45.6%	46.4%	46.2%	0.6pt	45.9%	0.3pt
Personnel Costs %	27.2%	27.4%	27.8%	0.6pt	28.2%	▲0.4pt
Other in SG&A	20.1%	20.4%	21.9%	1.8pt	19.9%	2.0pt
% of Other Income/Expenses*	▲0.3%	0.4%	▲1.1%	▲0.8pt	3.5%	▲4.6pt

* [% of Other Income/Expenses] = [Other Income/Expenses] ÷ [Revenue]

■ Primary Reasons for the Revision :

[Domestic Sushiro Business]

✓ The recovery of the domestic business has been slower than in the May revision. Customer count has dropped further than expected since June, due to the administrative order issued for violation of the Act Against Unjustifiable Premiums and Misleading Representations. This impact is likely to continue throughout Q4 period. Additionally, we plan to stay low key regarding advertisements for campaign promotion (TV commercials, etc.), which puts us in even tougher operating conditions.

< Revenue LFL of Domestic Sushiro >

[Full Year] 108.8% (at the start of FY22) → 104% (at Q2 revision) → 96.4% (at Q3 revision)
[2H /FY22] 116% (at the start of FY22) → 113% (at Q2 revision) → 97% (at Q3 revision)

* Assumptions for 97% (at Q3 revision) include August 90% and September 94%

[Reporting of Losses from Impairment and Equity Method Investment]

✓ Reported JPY 3.28 bil. in Impairment for Q3, given the above-described situations. Another JPY 3 bil roughly, for impairment is expected to incur for upcoming Q4 period only. Also for Q3, Impairment Loss from Equity Method Investment (Wasabi, U.K.) of JPY 2 bil is reported.

■ Growth % :

- ✓ Assumption for Revenue LFL (Full Year, vs.FY21) for Domestic Sushiro is 96.4%
- ✓ Advantageous Procurement (JPY 4 bil.) and Government Subsidy (JPY 10.7 bil) were in FY21 earnings. Government Subsidy was JPY 3.6 bil for FY22, which led to the decrease in profit.
- ✓ FY21 Impairment was JPY 2.3 bil. FY22 Impairment is expected to be more than JPY 6 bil. The Impairment from Wasabi U.K. also increased from JPY 0.5 bil to JPY 2 bil.

As a result, negative growth % are expected for Operating Profit and other items below OP.

■ Summary :

On top of the much-slower-than-anticipated performance recovery after the lifting of COVID restrictions, the administrative order was issued by Consumer Affairs Agency for violation of the Act Against Unjustifiable Premiums and Misleading Representation, leading to a loss of consumer trust. This continues to put our domestic business in a difficult operating environment going forward. But on the other hand, Sushiro overseas business has been demonstrating strong recovery in all operating regions. So the overseas segment is expected to increase both in revenue and profits.

Revenue and Profit Forecast Revision for FY22/9 ②

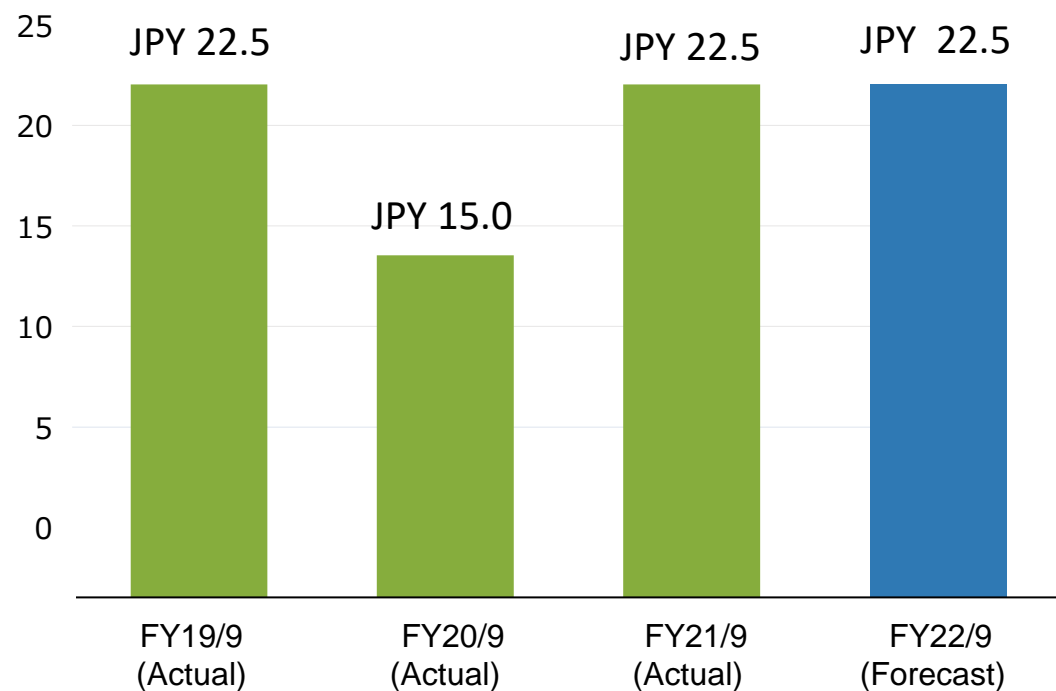
	FY22									
	Q1		Q2		Q3		Q4 (forecast)		Full Year (forecast)	
	Actual	% in Revenue	Actual	% in Revenue	Actual	% in Revenue	Forecast	% in Revenue	Forecast	% in Revenue
(in millions, JPY)										
Revenue	71,601	—	68,655	—	71,680	—	68,063	—	280,000	—
Operating Profit	5,469	7.6%	4,103	6.0%	2,801	3.9%	▲3,872	▲5.7%	8,500	3.0%
Profit before Income Taxes	5,255	7.3%	3,792	5.5%	1,127	1.6%	▲4,173	▲6.1%	6,000	2.1%
Profit for the Period	3,389	4.7%	2,200	3.2%	▲337	▲0.5%	▲2,252	▲3.3%	3,000	1.1%
Adjusted * Operating Profit	5,044	7.0%	2,773	4.0%	4,076	5.7%	▲413	▲0.6%	11,480	4.1%
COGS	33,668	47.0%	31,847	46.4%	32,856	45.8%	30,988	45.5%	129,360	46.2%

* Adjusted Operating Profit = Revenue – COGS – SG&A

[Ref.] Returns to Shareholders

Dividends

- Conducted a stock split of our common shares at a ratio of 4 shares for every one share, on April 1, 2020. (Past dividends shown below are adjusted for the 1-to-4 split)
- Despite the weak FY22 performance, we plan to maintain JPY 22.5 dividend per share for the FY22/9. (Total dividend amount is to be 2.6 bil. JPY)



Shareholder Benefits

Benefit Type

Meal discount coupons (provided twice a year) that can be used at Sushiro brand stores, Sugidama brand stores, and the stores KYOTARU operates (excl. some stores) in Japan

Criteria & Value

- 100 - 199 shares:**
JPY 2,200 worth of coupons/year
 JPY 1,100 (record date: Sep. 30) JPY 1,100 (record date: Mar. 31)
- 200 - 399 shares:**
JPY 3,300 worth of coupons/year
 JPY 1,650 (record date: Sep. 30) JPY 1,650 (record date: Mar. 31)
- 400 - 799 shares:**
JPY 4,400 worth of coupons/year
 JPY 2,200 (record date: Sep. 30) JPY 2,200 (record date: Mar. 31)
- 800 - 1999 shares:**
JPY 8,800 worth of coupons/year
 JPY 4,400 (record date: Sep. 30) JPY 4,400 (record date: Mar. 31)
- 2000+ shares:**
JPY 22,000 worth of coupons/year
 JPY 11,000 (record date: Sep. 30) JPY 11,000 (record date: Mar. 31)

Notes

One JPY 550 coupon can be used for every JPY 1,100 (incl. tax) spent. Coupon can be used in combination with other discount ticket. This ticket can be used with other types of discount coupon. Coupon cannot be used for online takeout order and for delivery order.

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