

# Summary of Business Results for the Year Ended February 28, 2019 [IFRS] (Consolidated)

April 12, 2019

Company **create restaurants holdings inc.** Listed on the TSE  
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 Expected date of annual shareholders' meeting: May 29, 2019 Expected starting date of dividend payment: May 15, 2019  
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 Preparation of supplementary financial document: Yes  
 Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

## 1. Consolidated business results for the fiscal year ended February 2019 (March 1, 2018 through February 28, 2019)

### (1) Consolidated results of operations (% change from the previous corresponding period)

	Revenue		Operating profit		Profit before taxes		Profit for the year		Profit attributable to owners of parent		Basic profit per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Feb. 2019	119,281	2.4	3,975	-34.9	3,688	-37.4	2,072	-45.7	1,321	-51.8	2,065	-45.4
Year ended Feb. 2018	116,522	-	6,110	-	5,889	-	3,819	-	2,743	-	3,787	-

  

	Basic earnings per share	Diluted earnings per share	Profit ratio to total equity attributable to owners of parent	Profit before income taxes ratio to total assets	Operating income ratio to revenue
	Yen	Yen	%	%	%
Year ended Feb. 2019	14.05	13.78	7.7	5.1	3.3
Year ended Feb. 2018	29.07	29.00	15.6	8.3	5.2

(Reference) Investment earnings/loss on equity-method: Year ended February 2019: -million yen Year ended Feb. 2018: -million yen  
 Adjusted EBITDA: Year ended February 2018: 10,814 million yen (-12.1%) Year ended Feb. 2018: 12,306 million yen (-%)

(Note 1) "Basic earnings per share" and "Diluted earnings per share" are calculated based on "Profit attributable to owners of the parent."

(Note 2) Adjusted EBITDA is disclosed as useful comparative information on the business performance of the Group. For definitions and calculation methods of Adjusted EBITDA, please refer to "1. Summary of Operating Results, (1) Summary of operating results for the current fiscal year" on page 2 of the attachments.

### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity per share attributable to owners of parent
	Million yen	Million yen	%	Yen	
As of Feb. 2019	72,459	23,996	16,361	22.6	175.19
As of Feb. 2018	71,409	24,438	18,036	25.3	191.09

### (3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Feb. 2019	8,364	-4,886	-2,900	13,248
Year ended Feb. 2018	11,912	-5,665	-3,470	12,665

## 2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owner of parent (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Feb. 2018	-	5.00	-	5.00	10.00	943	34.4	5.4
Year ended Feb. 2019	-	6.00	-	6.00	12.00	1,132	85.4	6.6
Year ending Feb. 2020 (forecast)	-	6.00	-	6.00	12.00		-	

### 3. Forecast of consolidated business results for the fiscal year ending February 2020

(March 1, 2019 through February 29, 2020)

(% change from the previous corresponding period)

	Revenue		Operating profit		Profit before taxes		Profit for the year		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Feb. 2020	124,000	4.0	5,800	45.9	5,600	51.8	3,800	83.3-	3,100	134.6	32.84

(Reference) Adjusted EBITDA Year ending February 2020 (Forecast): 11,000 million yen (1.7%)

#### \*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement

① Changes in accounting policies required under IFRS: : None

② Changes in accounting policies due to reasons other than ① : None

③ Changes in accounting estimates : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of February 2019 94,722,642 shares

As of February 2018 94,722,642 shares

② Treasury stock at the end of period:

As of February 2019 1,333,275 shares

As of February 2018 333,275 shares

③ Average number of stock during period (cumulative period)

Year ended February 2019 94,035,942 shares

Year ended February 2018 94,389,367 shares

#### (Reference) Summary of non-consolidated business results

##### 1. Non-consolidated business results for the fiscal year ended February 2019

(March 1, 2018 through February 28, 2019)

(1) Non-consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Feb. 2019	5,633	3.0	1,544	-15.2	2,283	-5.5	5,991	994.3
Year ended Feb. 2018	5,470	-0.8	1,822	-0.0	2,415	2.5	547	-72.0

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Feb. 2019	63.72	-
Year ended Feb. 2018	5.80	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 2019	47,171	13,414	28.4	143.64
As of Feb. 2018	46,129	9,693	21.0	102.70

(Reference) Shareholders' equity:

As of February 2019: 13,414 million yen

As of February 2018: 9,693 million yen

**\*Financial summary is not subject to auditing procedures by certified public accountants or auditing firms.**

**\*Explanation regarding appropriate use of business forecasts and other special instructions**

- (1) Our Group adopted International Financial Reporting Standards ("IFRS") for the year ended February 2019. Figures for the previous fiscal year are also disclosed in accordance with IFRS. As for the difference between IFRS and Japanese GAAP for the date of transition to IFRS and the previous fiscal year, please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes on the Consolidated Financial Statements (First-time Adoption of IFRS) ".
- (2) Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors. Please refer to page 4 of the attached document "1. Summary of Operating Results (4) Future Outlook" for the precautions for using the prerequisites for business forecasts.
- (3) The impact of the adoption of the new leasing standard (IFRS 16) is not included in the consolidated business forecasts for the fiscal year ending February 2020. As we are currently in discussions with our auditing firm regarding accounting treatment, we plan to disclose the impacts and other items separately at the time when they are organized.

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## 1. Summary of Operating Results

### (1) Summary of operating results for the current fiscal year

#### ① Consolidated business results for the current fiscal year

During the current fiscal year, the Japanese economy continued to recover moderately against the backdrop of the effects of various policies and improvements in corporate earnings, employment environment and income environment. However, the outlook remained uncertain due to concerns over the continued uncertainty in the political and economic situation and geopolitical risks overseas, including intensifying trade friction between the United States and China.

In the restaurant industry, although consumer sentiment is improving moderately, the business environment remains severe due to the effects of natural disasters such as the Northern Osaka Prefecture Earthquake and unseasonable weather, mainly in western Japan, in addition to the persistently high price of raw materials due to the rise in logistics costs and the rise in labor costs due to the prolonged labor shortage.

In this environment, our Group was entrusted with the collective management of "HIBIYA FOOD HALL" in March, which is located on the first basement floor of Tokyo Midtown Hibiya, and opened eight outlets with our three Group companies. In November, our Group opened the "Morton's The Steakhouse", a long-established steak format originating in Chicago, the United States, as the first outlet in Japan, in Marunouchi, Tokyo. In addition, our Group systematically opened specialty restaurants and new brands in commercial facilities, downtown districts, station fronts, and suburban roadside locations, opening 60 new outlets and closing 29 outlets. As a result of M&A, 17 outlets of Create Bayside Inc. were newly consolidated from the first quarter. In addition, 10 outlets of YUZURU Inc. and 2 outlets of create restaurants NY inc. were newly consolidated from the fourth quarter. In addition, as a result of aggressive brand changes and renovations, the number of consolidated outlets including subcontracted outlets at the end of the current fiscal year was 925.

As a result of the above, revenue for the current fiscal year was 119,281 million yen (up 2.4% year on year), operating profit was 3,975 million yen (down 34.9% year on year), profit before taxes was 3,688 million yen (down 37.4% year on year), profit for the year was 2,072 million yen (down 45.7% year on year), and profit attributable to owners of the parent was 1,321 million yen (down 51.8% year on year). Adjusted EBITDA decreased 12.1% to 10,814 million. (Note 1)

(Note 1) Adjusted EBITDA is used as a useful indicator of our financial results.

The formula for adjusted EBITDA is as follows:

- Adjusted EBITDA = Operating income + Other operating expenses - Other operating income (excluding sponsorship income) + Depreciation and amortization  
+ Non-recurring expense items (advisory expenses related to share acquisition, etc.)

Reportable segments are omitted because there are no reportable segments other than the restaurant business. The status of each categories in the restaurant business is as follows.

#### (CR Category)

This category consists of restaurants operated by create restaurants inc., Create Dining inc. and Create Bayside Inc., and operates restaurants and food courts under a variety of brands, mainly in commercial facilities.

During the current fiscal year, our Group opened 21 new outlets and closed 11 outlets through the opening of specialty roast beef bowl restaurants and cafe brands.

As a result of the above, the Category posted revenue of 45,633 million yen for the current fiscal year, and the number of consolidated outlets was 444.

#### (SFP Category)

This category consists of restaurants operated by SFP Holdings Co., Ltd. and operates izakaya restaurants, such as ISOMARU SUISAN, Toriyoshi and Toriyoshi Shoten brands, mainly in urban downtown districts.

During the current fiscal year, our Group opened 18 new outlets, including ISOMARU SUISAN, Gyoza Ichigoro, and Go-no-Go, and closed 4 outlets.

As a result of the above, the Category posted revenue of 37,751 million yen for the current fiscal year and the number of outlets was 239.

#### (Specialty Brand Category)

This category consists of outlets operated by our domestic subsidiaries, LE MONDE DES GOURMET INC., eatwalk Co., Ltd., YUNARI Co., Ltd, Gourmet Brands Company inc., KR HOLDINGS CORPORATION, Route 9g Inc. and YUZURU Inc.

During the consolidated current fiscal year, our Group opened 15 new outlets, including KAGONOYA and Azusa Coffee by KR HOLDINGS CORPORATION, Yasaiya Mei by eatwalk Co., Ltd., and JEAN FRANCOIS by Gourmet Brands Company inc., and closed 8 outlets.

As a result of the above, the Category posted revenue of 33,659 million yen for the current fiscal year, and the number of consolidated outlets was 208.

#### (Overseas Category)

This category consists of overseas outlets, including outlets operated by create restaurants asia Pte Ltd. in Singapore, create

restaurants hong kong Ltd. in Hong Kong, Create Restaurants Taiwan Co., Ltd. in Taiwan, and Create Restaurants NY Inc. in the United States.

During the current fiscal year, our Group opened 6 new outlets, such as Shabu Sai in Singapore and Hongkong, etc., and closed 5 outlets.

As a result of the above, the Category posted revenue of 2,987 million yen for the current fiscal year, and the number of consolidated outlets was 34.

## (2) Summary of financial condition in the current fiscal year

Total assets at the end of the current fiscal year amounted to 72,459 million yen (up 1.5% from the end of the previous fiscal year). This was mainly due to increases of 1,082 million yen in other current assets, 582 million yen in cash and cash equivalents, and 331 million yen in goodwill.

Liabilities at the end of the current fiscal year amounted to 48,462 million yen (up 3.2% from the end of the previous fiscal year). This was mainly due to increases of 1,476 million yen in other current liabilities and 666 million yen in bonds and borrowings, despite 911 million yen decrease in income taxes payable.

Assets at the end of the current fiscal year amounted to 23,996 million yen (down 1.8% from the end of the previous fiscal year).

## (3) Summary of cash flow in the current fiscal year

Cash and cash equivalents (hereinafter referred to as "cash") for the current fiscal year resulted in an increase in cash flow from operating activities of 8,364 million yen (down 29.8% from the previous fiscal year), a decrease in cash flow from investing activities of 4,886 million yen (down 13.7% from the previous fiscal year), a decrease in cash flow from financing activities of 2,900 million yen (down 16.4% from the previous fiscal year), and an increase in cash balance of 13,248 million yen (up 4.6% from the previous fiscal year), including translation differences.

The status of each cash flow in the current consolidated fiscal year and its factors are as follows.

### Cash flows from operating activities

Net cash provided by operating activities was 8,364 million yen. This was mainly due to recording of income taxes paid of 3,785 million yen and depreciation and amortization was 4,196 million yen, despite the payments for income before income taxes of 3,688 million yen.

### Cash flows from investing activities

Net cash used in investing activities was 4,886 million yen. This was mainly due to purchase of property, plant and equipment of 3,658 million yen.

### Cash flows from financing activities

Net cash used in financing activities was ¥2,900 million yen. This was mainly due to proceeds from long-term loans payable of 7,931 million yen and repayment of long-term loans payable of 5,235 million yen.

### (Reference) Trends in cash flow indicators

	FY2/19
Equity attributable to owners of the parent ratio (%)	22.6
Equity attributable to owners of the parent ratio based on market value (%)	167.6
Interest-bearing debt/cash-flow	3.7
Interest coverage ratio (time)	30.7

(Note) 1. All calculations are based on consolidated financial figures.

2. Calculation formula for the above indices are as follows.

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

Equity attributable to owners of the parent ratio based on market value:  $\text{Market capitalization (excluding treasury stock)} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio = operating cash-flow / interest expenses

3. Cash flows from operating activities are based on cash flows from operating activities in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded in the consolidated statements of financial position for which interest is paid. Interest expense is equal to interest payments as stated in the Consolidated Statements of Cash Flows.

#### (4) Future outlook

Regarding the outlook for the next fiscal year, the Japanese economy is expected to continue its moderate recovery trend against the backdrop of improvements in corporate earnings and the employment environment. However, the situation remains unpredictable due to uncertainties in the political and economic situation, such as the U.S.-China trade friction and the Brexit, as well as concerns over the continuation of geopolitical risks overseas, such as the situation in North Korea.

In the restaurant industry, despite the support from inbound demand from foreign visitors to Japan, personal consumption is becoming increasingly concerned about the future, and a sense of deflation is becoming firmly established. In addition, there are concerns about the impact of the consumption tax hike scheduled for October 2019. We can not be optimistic about the cost environment, as labor costs will continue to rise due to labor shortages, and investment-related costs are expected to soar due to the construction boom toward the Tokyo Olympics.

In such environment, our Group will continue to aggressively open outlets in highly profitable locations and develop new business formats. At the same time, our Group will strengthen the foundations for mutual synergies among Group companies by making full use of our ability to respond to changes, which is a strength of our Group Federation Management. Specifically, our Group will implement business format changes across Group companies and develop franchises within our Group. In addition, we will continue to actively consider M&A, both in Japan and overseas, as a major driver of growth. In particular, we have established the North American Business Investment Department for overseas operations, and are actively working to develop projects in North America.

Based on the above, as for the full-year forecasts for the fiscal year ending February 2020, we forecast revenue of 124,000 million yen, operating profit of 5,800 million yen, profit before taxes of 5,600 million yen, profit for the year of 3,800 million yen, and profit attributable to owners of the parent of 3,100 million yen. Adjusted EBITDA is expected to be 11,000 million yen.

Our Group opens outlets in commercial facilities and downtown districts where we can expect to attract certain amount of customers. We select suitable locations and select candidates for outlet openings from the viewpoints of location, rental conditions, and profitability. For this reason, if our Group is unable to secure sufficient locations commensurate with the planned number of new outlet openings, or if new impacts arise due to safety issues related to foodstuffs, market fluctuations, etc., our Group's business forecasts may be affected.

(Note) The above forecasts are based on information available as of the date of this report. Actual results may differ from the forecasts due to various factors.

## 2. Basic Policies regarding the Selection of Accounting Standards

We have disclosed our consolidated financial statements based on the International Financial Reporting Standards (IFRS) since the current fiscal year with the aim of establishing a foundation for M&A promotion in Japan and overseas, improving international comparability in the capital markets, and optimizing management by unifying accounting standards within our Group.



### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Statements of Financial Position

(Million yen)

	Note	Transition date (March 1, 2017)	Previous fiscal year (February 28, 2018)	Current fiscal year (February 28, 2019)
<b>Assets</b>				
Current assets				
Cash and cash equivalents		9,912	12,665	13,248
Trade and other receivables		3,129	2,923	3,107
Other financial assets		0	0	-
Inventories		477	511	536
Other current assets		1,615	1,074	2,157
Total current assets		<u>15,135</u>	<u>17,175</u>	<u>19,050</u>
Non-current assets				
Property, plant and equipment		30,034	28,974	27,350
Goodwill		11,984	11,522	11,853
Intangible assets		1,777	1,712	1,686
Other financial assets		10,431	10,474	10,679
Deferred tax assets		1,328	1,549	1,837
Other non-current assets		-	0	1
Total non-current assets		<u>55,556</u>	<u>54,234</u>	<u>53,409</u>
Total assets		<u>70,692</u>	<u>71,409</u>	<u>72,459</u>

(Million yen)

	Note	Transition date (March 1, 2017)	Previous fiscal year (February 28, 2018)	Current fiscal year (February 28, 2019)
<b>Liabilities and assets</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		4,717	4,252	4,419
Bonds and borrowings		6,823	8,628	7,441
Other financial liabilities		572	448	430
Income taxes payable		997	1,864	953
Provision		549	632	769
Other current liability		5,892	5,579	7,055
<b>Total current liabilities</b>		<b>19,553</b>	<b>21,405</b>	<b>21,069</b>
<b>Non-current liabilities</b>				
Bonds and borrowings		21,794	19,755	21,609
Other financial liabilities		1,669	1,615	1,437
Obligations for retirement plan		619	620	727
Provision		2,478	2,776	2,897
Deferred tax liabilities		661	275	300
Other non-current liabilities		541	521	419
<b>Total non-current liabilities</b>		<b>27,764</b>	<b>25,565</b>	<b>27,393</b>
<b>Total liabilities</b>		<b>47,318</b>	<b>46,971</b>	<b>48,462</b>
<b>Capital</b>				
Capital stock		1,012	1,012	1,012
Capital surplus		4,530	3,792	3,071
Retained earnings		11,626	13,275	13,551
Treasury stock		-20	-20	-1,253
Other components of equity		-	-23	-20
<b>Equity attributable to the owners of parent</b>		<b>17,148</b>	<b>18,036</b>	<b>16,361</b>
Non-controlling interests		6,225	6,402	7,635
<b>Total assets</b>		<b>23,374</b>	<b>24,438</b>	<b>23,996</b>
<b>Total liabilities and assets</b>		<b>70,692</b>	<b>71,409</b>	<b>72,459</b>

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Million yen)

	Note	Previous fiscal year (March 1, 2017 - February 28, 2018)	Current fiscal year (March 1, 2018 - February 28, 2019)
Revenue		116,522	119,281
Cost of sales		-33,524	-34,314
Gross profit		82,997	84,966
Selling, general and administrative expenses		-75,638	-79,116
Other operating revenue		1,761	1,028
Other operating expenses		-3,009	-2,902
Operating profit		6,110	3,975
Financial income		86	10
Financing cost		-307	-297
Income before income taxes		5,889	3,688
Corporate income tax expenses		-2,070	-1,615
Profit for the year		3,819	2,072
Net income attributable to			
Owners of the parent company		2,743	1,321
Non-controlling interests		1,075	751
Profit of current fiscal year		3,819	2,072
Earnings per share attributable to owners of parent (yen)			
Basic earnings per share		29.07	14.05
Diluted earnings per share		29.00	13.78

Consolidated Statements of Comprehensive Income

(Million yen)

	Note	Previous fiscal year (March 1, 2017 - February 28, 2018)	Current fiscal year (March 1, 2018 - February 28, 2019)
Profit for the year		3,819	2,072
Other comprehensive income		-32	-6
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans		-8	-10
Total		-8	-10
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		-23	3
Total		-23	3
Total other comprehensive income		-32	-6
Comprehensive income for the year		<u>3,787</u>	<u>2,065</u>
Comprehensive income attributable to			
Owners of the parent company		2,710	1,316
Non-controlling interests		1,076	749
Comprehensive income for the year		<u>3,787</u>	<u>2,065</u>

### (3) Consolidated Statements of Changes in Equity

Previous fiscal year (March 1, 2017 - February 28, 2018)

(Million yen)

Note	Equity attributable to owners of parent										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity			Total	Total	Non-controlling equity	Total capital
					Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total				
Balance as of March 1, 2017	1,012	4,530	11,626	-20	-	-	-	17,148	6,225	23,374	
Profit for the year	-	-	2,743	-	-	-	-	2,743	1,075	3,819	
Other comprehensive income	-	-	-	-	-23	-8	-32	-32	-	-32	
Comprehensive income for the year	-	-	2,743	-	-23	-8	-32	2,710	1,075	3,786	
Purchase of treasury stock	-	-	-	-	-	-	-	-	-830	-830	
Increase due to business combination	-	-	-	-	-	-	-	-	32	32	
Dividend	-	-	-1,085	-	-	-	-	-1,085	-254	-1,340	
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries	-	-676	-	-	-	-	-	-676	-	-676	
Changes in equity of the parent company related to transactions with non-controlling shareholders	-	-60	-	-	-	-	-	-60	152	91	
Transfer from other components of equity to retained earnings	-	-	-8	-	-	8	8	-	-	-	
Other	-	-	-	-	-	-	-	-	0	0	
Total transactions with owners	-	-737	-1,094	-	-	8	8	-1,823	-899	-2,722	
Balance at February 28, 2018	1,012	3,792	13,275	-20	-23	-	-23	18,036	6,402	24,438	

Current fiscal year (March 1, 2018 - February 28, 2019)

(Million yen)

Note	Equity attributable to owners of the parent company										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity			Total	Total	Non-controlling equity	Total capital
					Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total				
Balance at March 1, 2018	1,012	3,792	13,275	-20	-23	-	-23	18,036	6,402	24,438	
Profit of the year	-	-	1,321	-	-	-	-	1,321	751	2,072	
Other comprehensive income	-	-	-	-	3	-7	-4	-4	-	-4	
Comprehensive income for the year	-	-	1,321	-	3	-7	-4	1,316	751	2,068	
Purchase of treasury stock	-	-	-	-1,232	-	-	-	-1,232	-	-1,232	
Dividend	-	-	-1,038	-	-	-	-	-1,038	-242	-1,280	
Change of owner interests in consolidated subsidiaries without loss of control	-	-830	-	-	-	-	-	-830	726	-104	
Share-based payment transactions	-	109	-	-	-	-	-	109	-	109	
Transfer from other components of equity to retained earnings	-	-	-7	-	-	7	7	-	-	-	
Other	-	-	-	-	-	-	-	-	-2	-2	
Total transactions with owners	-	-721	-1,045	-1,232	-	7	7	-2,992	481	-2,510	
Balance at February 28, 2019	1,012	3,071	13,551	-1,253	-20	-	-20	16,361	7,635	23,996	

### (4) Consolidated Statement of Cash Flows

	(Million yen)	
Note	Previous fiscal year (March 1, 2017 - February 28, 2018)	Current fiscal year (March 1, 2018 - February 28, 2019)
<b>Cash flows from operating activities</b>		
Income before income taxes	5,889	3,688
Depreciation and amortization	4,344	4,196
Impairment loss	2,529	2,658
Interest income	-10	-8
Interest expenses	295	277
Loss (gain) on sale of non-current assets	19	-4
Loss on retirement of noncurrent assets	245	78
Changes in inventories	-28	-0
Increase (decrease) in trade and other receivables	11	-218
Increase (decrease) in trade and other payables	16	5
Increase (decrease) in net retirement benefit liability	40	33
Increase (decrease) in allowance	-74	-2
Other changes	181	1,708
Sub-total	13,460	12,410
Interest and dividend received	10	8
Interest expenses paid	-291	-272
Income taxes paid	-1,843	-3,785
Income taxes refunded	576	2
Consolidated statements of cash flows	11,912	8,364
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-4,759	-3,658
Proceeds from sales of property, plant and equipment	2	7
Payments for asset retirement obligations	-294	-130
Purchase of property, plant intangible	-73	-120
Payments for guarantee deposits	-751	-545
Proceeds from collection of guarantee deposits	408	264
Proceeds from the sale of subsidiaries	70	-
Payments for transfer of business	-	-448
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation.	18	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	-72
Other	-285	-182
Cash flow from investing activities	-5,665	-4,886

	(Million yen)	
Note	Previous fiscal year (March 1, 2017 - February 28, 2018)	Current fiscal year (March 1, 2018 - February 28, 2019)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	3,000	-2,000
Proceeds from long-term debt	3,900	7,931
Repayment of long-term loans payable	-6,608	-5,235
Redemption of bonds	-530	-510
Repayments of lease obligations	-385	-402
Purchase of treasury stock	-	-1,232
Expenditure for acquisition of treasury stock by consolidated subsidiaries	-1,507	-104
Cash dividends paid	-1,085	-1,040
Proceeds from share issuance to non-controlling interests	91	-
Dividends paid to non-controlling interests	-253	-241
Other	-91	-64
Cash flow from financing activities	-3,470	-2,900
Effect of exchange rate change on cash and cash equivalents	-24	5
Net increase (decrease) in cash and cash equivalents	2,752	582
Balance of cash and cash equivalents at beginning of period	9,912	12,665
Balance of cash and cash equivalents at year-end	12,665	13,248

## (5) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Segment Information)

Segment information is omitted because the Group's business is categorized as restaurant business and there are no segments to be categorized.

(Per-stock Information)

Basic earnings per share and diluted earnings per share and the basis for calculation are as follows.

	(Million yen)	
	Previous fiscal year (March 1, 2017 - February 28, 2018)	Current fiscal year (March 1, 2018 - February 28, 2019)
Profit attributable to owners of the parent	2,743	1,321
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries and affiliates	-6	-25
Profit for the year used to compute diluted earnings per share	2,736	1,295
Weighted average number of shares of common shares outstanding (shares)	94,389,367	94,035,942
Number of increases of common stock	-	-
Weighted average number of common diluted shares outstanding (shares)	94,389,367	94,035,942
Basic earnings per share (yen)	29.07	14.05
Diluted earnings per share (yen)	29.00	13.78

(Note) "Basic earnings per share" and "Diluted earnings per share" are calculated by deducting our shares held by the "Employee Stock-Delivery Trust-type ESOP," which are recorded as treasury shares in other components of equity, from the calculation of the average number of shares during the period. (1 million shares in the current fiscal year)

(Significant subsequent events)

Business Combination through Acquisition

I. Acquisition of shares of Kiya Foods Corporation

1. Outline of the business combination

(1) Name and business of the acquired company

Name	Kiya Foods Corporation
Contents of business	Restaurant operation

(2) Main reasons for the business combination

"Ginza Kiya" is the long-established brand that have over 40 years history. Since its founding, the restaurant continues to provide udon and soba, which are traditional Japanese foods, from the perspective of "pursuing authentic flavors" and "inheriting the traditions" cultivated over many years. This initiative aimed at strengthening the brand lineup through the acquisition of the long-established Ginza Kiya, creating the stable earnings through the well-located restaurants in Tokyo metropolitan area, including the main store in Ginza and the store in Haneda Airport (our group's first store), and further growth of the "Ginza Kiya" brand by sharing know-how based on Group Federation Management.



(3) Date of business combination

March 1, 2019

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name following business combination

There is no change in the name of the company after the business combination.

(6) Percentage of voting rights acquired

100%

(7) Main reasons for deciding the acquiring company

This was due to the acquisition of shares in exchange for cash as a subsidiary.

2. Acquisition cost of the acquired company and its breakdown by type

Acquisition costs are omitted.

3. Details and amount of major acquisition-related expenses

Advisory expenses, etc. 4 million yen

4. Goodwill, reason for recognizing goodwill, amortization

We have not yet determined

II. Acquisition of shares of Joh Smile Corporation, which was acquired by our consolidated subsidiary

1. Outline of the Business Combination

(1) Name and business of the acquired company

Name	Joh Smile Corporation
Contents of business	Restaurant operation

(2) Main reasons for the business combination

SFP Holdings Co., Ltd. (SFP Holdings), our consolidated subsidiary, has acquired shares of Joh Smile Corporation. As part of the SFP Food Alliance Concept, which aims to grow by providing SFP Holdings' core brands through capital alliances with businesses that have abundant izakaya management expertise in regional cities. Joe Smile Co., Ltd. was established in 1993, and operates 19 outlets in 14 formats in Kumamoto Prefecture. In addition to the Maekawa Suigun, a seafood izakaya chain, Maekawa Cofee, a cafe format, and Hyakusho Jaya, a long-established izakaya, are deployed in shopping districts and roadside locations to maintain close relationships with local communities.

(3) Date of business combination

March 1, 2019

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name following business combination

There is no change in the name of the company after the business combination.

(6) Percentage of voting rights acquired

100%\*

(\*) SFP Holdings acquired 100% of the voting shares of Joh Smile Corporation for cash.

(7) Main reasons for deciding the acquiring company

SFP Holdings is a company to acquire the shares as they acquire the shares in exchange for cash.

2. Acquisition cost of the acquired company and its breakdown

Acquisition costs are omitted.

3. Details and amount of major acquisition-related expenses

Advisory expenses, etc. 40 million yen

4. Goodwill, reason for recognizing goodwill, amortization

We have not yet determined

(First-time Adoption of IFRS)

We have disclosed our consolidated financial statements in accordance with IFRS from the current fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the fiscal year ended February 2018, and the date of transition to IFRS is March 1, 2017.

(1) Exemptions under IFRS 1

IFRS requires companies that adopt IFRS for the first time (hereinafter referred to as "first-time adopters") to apply the standards required by IFRS retrospectively, in principle. However, IFRS 1 provides that certain standards required by IFRS must be subject to mandatory exemption provisions and that exemptions are voluntarily applicable. The effect of applying these provisions has been recognized at the IFRS transition date and an adjustment for the impact has been made within Retained earnings or Other components of equity. In the transition from Japanese GAAP to IFRS, our Group adopted the following exemptions.

- Business combination

First-time adopters are permitted to not to retrospectively apply IFRS 3 "Business Combinations" ("IFRS 3") to business combinations arising prior to the date of transition to IFRS. We have adopted such exemptions and have not to retrospectively apply IFRS 3 to business combinations that occurred prior to the transition date. As a result, the amount of goodwill arising from the business combination prior to the transition date is based on the carrying amount as of the transition date based on Japanese GAAP.

Goodwill is tested for impairment as of the transition date, regardless of whether there is any indication of impairment.

- Deemed cost

IFRS 1 allows property, plant and equipment, real estate for investment, and intangibles to use the fair value as of the date of transition to IFRS as the deemed cost at that date. For certain property, plant and equipment, we use the fair value as of the transition date as deemed cost for IFRS purposes at that date.

- Foreign currency translation adjustments

Under IFRS 1, companies may elect to deem the cumulative effect of exchange rate changes on foreign operations as of the date of transition to IFRS to be zero. Our group has chosen to deem the cumulative translation differences of foreign operations to be zero as of the transition date.

- Stock-based compensation

IFRS 1 encourages, but is not required to apply, IFRS 2, "Stock-Based Compensation" ("IFRS 2"), to equity awards granted on or after November 7, 2002 and vested prior to the IFRS Transition Date. Our group has elected not to apply IFRS 2 to share awards that vested prior to the transition date.

- Leasing

Under IFRS 1, first-time adopters are permitted to determine at the IFRS transition date whether or not a lease is included in the contract. Our group applies these exemptions to determine if the agreements contain leases based on facts and status that exist as of the transition date.

- Retirement liabilities included in cost of property, plant and equipment

IFRS 1 allows companies to select either a retrospective application of a liability for retirement or other obligations included in the cost of property, plant and equipment from the beginning of the period in which the obligation is incurred, or a method for measuring the obligation at the transition date. Our group has elected the method of measuring the disposal and other obligations included in the cost of property, plant and equipment as of the transition date.

- Financial instruments recognized prior to transition date

IFRS 1 allows companies to determine the classification of financial instruments under IFRS 9 ("IFRS 9"), based on facts and status as of the date of transition, rather than facts and circumstances that existed at the time of initial recognition. In addition, the Company is permitted to designate changes in the fair value of equity financial assets as financial assets measured through other comprehensive income based on facts and status existing at the transition date.

We base our judgments on facts and status as of the date of transition to IFRS 9.

## (2) Mandatory exceptions in IFRS 1

IFRS 1 prohibits retrospective application of IFRS to "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "noncontrolling interests," and "classification and measurement of financial assets." We apply these items prospectively from the date of transition.

## (3) Table of adjusted items

Adjusted items required to be disclosed in the first-time accounting of the IFRS are as follows:

Items that do not affect retained earnings and comprehensive income are included in "Reclassification" in the reconciliation table, and items that affect retained earnings and comprehensive income are included in "Differences in recognition and measurement."

Adjustment to equity as of March 1, 2017 (date of transition to IFRS)

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	9,779	-	133	9,912		Cash and cash equivalents
Accounts receivable - trade	2,619	524	- 14	3,129	(1)	Trade and other receivables
Raw materials and supplies	501	-	- 23	477	(3)	Inventories
Deferred tax assets	704	- 687	- 17	-		
	-	0	-	0	(2)	Other financial assets
Other	2,162	- 525	- 21	1,615		Other current assets
Total current assets	15,766	- 687	56	15,135		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	27,128	-	2,906	30,034	(5)	Property, plant and equipment
Intangible assets						
Goodwill	14,422	-	- 2,437	11,984	(6)	Goodwill
Other	1,776	-	0	1,777		Intangible assets
Investments and other assets						
Investment securities	324	10,431	- 324	10,431	(2)(9)	Other financial assets
Long-term prepaid expenses	1,519	- 1,509	- 10	-		
Deferred tax assets	1,096	- 148	380	1,328	(4)	Deferred tax assets
Guarantee deposits	9,322	- 8,914	- 407	-		
Allowance for doubtful accounts	- 8	8	-	-		
Other	16	- 16	-	-	(8)	Other current assets
Total noncurrent assets	55,597	- 148	107	55,556		Total non-current assets
Total assets	71,364	- 835	163	70,692		Total assets

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	2,635	2,107	- 25	4,717	(1)	Trade and other payables
Current portion of bonds	530	6,293	-	6,823	(7)	Bonds and borrowings
Current portion of long-term loans payable	6,293	- 6,293	-	-		
Lease obligation	232	198	141	572	(2)	Other financial liabilities
Accounts payable - other	3,257	- 3,486	229	-		
Accrued expenses	2,004	- 2,021	17	-		
Income taxes payable	1,001	-	- 4	997		Income taxes payable
Accrued consumption taxes	946	- 939	- 6	-		
Provision for bonuses	596	-46	-	549	(10)	Provision
Provision for point card certificates	298	- 298	-	-		
Allowance for shareholder benefit program	287	- 287	-	-		
Provision for loss on outlet closing	52	- 51	0	-		
Asset retirement obligations	188	- 210	22	-		
Other	539	5,038	314	5,892	(8)(10)	Other current liability
Total current liability	18,864	-	688	19,553		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	2,560	19,270	- 36	21,794	(7)	Bonds and borrowings
Long-term debt	19,270	- 19,270	-	-		
Lease obligation	635	-	1,033	1,669	(2)	Other financial liabilities
Provision for directors' retirement benefits	45	- 45	-	-		
Obligations for retirement plan	592	45	- 17	619	(9)	Obligations for retirement plan
Asset retirement obligations	2,304	15	158	2,478	(10)	Provision
Deferred tax liabilities	833	-835	663	661	(4)	Deferred tax liabilities
Other	556	- 15	-	541		Other non-current liabilities
Total long-term liabilities	26,798	- 835	1,801	27,764		Total non-current liabilities
Total liabilities	45,662	- 835	2,490	47,318		Total liabilities

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Net assets						Capital
Capital stock	1,012	-	-	1,012		Capital stock
Capital surplus	4,530	-	-	4,530		Capital surplus
Retained earnings	13,531	-	- 1,905	11,626	(11)(12)	Retained earnings
Treasury stock	- 20	-	-	- 20		Treasury stock
Deferred gains or losses on hedges	0	-	0	-		Other components of equity
Foreign currency translation adjustment	467	0	- 467	-		
Remeasurements of defined benefit plans	- 14	-	14	-		
Non-controlling shareholders' equity	6,194	-	31	6,225		Non-controlling interests
Total net assets	25,701	-	- 2,327	23,374		Shareholders' Equity
Total liabilities and net assets	71,364	- 835	163	70,692		Total liabilities, shareholders' equity

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

Adjustment to equity as of February 28, 2018 (date of the most recent consolidated financial statements under Japanese GAAP)

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	12,685	-	- 20	12,665		Balance of cash and cash equivalents period
Accounts receivable - trade	2,614	327	- 18	2,923	(1)	Trade and other receivables
Raw materials and supplies	550	-	- 38	511	(3)	Inventories
Deferred tax assets	768	- 761	- 7	-		
	-	0	-	0	(2)	Other financial assets
Other	1,409	- 327	- 7	1,074		Other current assets
Total current assets	18,028	- 761	- 91	17,175		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	27,157	-	1,816	28,974	(5)	Property, plant and equipment
Intangible assets						
Goodwill	13,166	-	- 1,644	11,522	(6)	Goodwill
Other	1,710	-	2	1,712		Intangible assets
Investments and other assets						
Investment securities	329	10,474	- 329	10,474	(2)	Other financial assets
Long-term prepaid expenses	1,401	- 1,383	- 17	-		
Deferred tax assets	966	89	493	1,549	(4)	Deferred tax assets
Guarantee deposits	9,451	- 9,080	- 370	-		
Allowance for doubtful accounts	- 8	8	-	-		
Other	19	- 19	-	0	(8)	Other non-current assets
Total noncurrent assets	54,194	89	- 50	54,234		Total non-current assets
Total assets	72,222	- 671	- 141	71,409		Total assets

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	2,641	1,623	- 12	4,252	(1)	Trade and other payables
Short-term borrowings	3,000	5,628	-	8,628	(7)	Bonds and borrowings
Current portion of bonds	510	- 510	-	-		
Current portion of long-term loans payable	5,118	- 5,118	-	-		
Lease obligation	172	150	125	448	(2)	Other financial liabilities
Accounts payable - other	2,722	- 3,014	291	-		
Accrued expenses	2,001	- 2,011	9	-		
Income taxes payable	1,865	-	- 1	1,864		Income taxes payable
Accrued consumption taxes	591	- 579	- 11	-		
Provision for bonuses	620	12	-	632	(10)	Provision
Provision for point card certificates	266	- 266	-	-		
Allowance for shareholder benefit program	364	- 364	-	-		
Provision for loss on outlet closing	22	- 22	-	-		
Asset retirement obligations	201	- 244	42	-		
Other	592	4,716	270	5,579	(8)(10)	Other current liability
Total current liability	20,691	-	714	21,405		Total current liabilities
Non-current liabilities						Non-current liability
Bonds payable	2,050	17,736	- 31	19,755	(7)	Bonds and borrowings
Long-term debt	17,736	- 17,736	-	-		
Lease obligation	630	-	985	1,615	(2)	Other financial liabilities
Obligations for retirement plan	635	-	- 14	620	(9)	Obligations for retirement plan
Asset retirement obligations	2,658	23	94	2,776	(10)	Provision
Deferred tax liabilities	727	- 671	220	275	(4)	Deferred tax liabilities
Other	545	- 23	-	521		Other non-current liabilities
Total long-term liabilities	24,983	- 671	1,253	25,565		Total non-current liabilities
Total liabilities	45,674	- 671	1,967	46,971		Total liabilities

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.



(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Net assets						Capital
Capital stock	1,012	-	-	1,012		Capital stock
Capital surplus	3,792	-	-	3,792		Capital surplus
Retained earnings	14,947	-	- 1,672	13,275	(11) (12)	Retained earnings
Treasury stock	- 20	-	-	- 20		Treasury stock
Deferred gains or losses on hedges	0	- 23	0	- 23		Other components of equity
Foreign currency translation adjustment	486	23	- 510	-		
Remeasurements of defined benefit plans	- 21	-	21	-		
Non-controlling shareholders' equity	6,350	-	51	6,402		Non-controlling interests
Total net assets	26,548	-	- 2,109	24,438		Shareholders' Equity
Total liabilities and net assets	72,222	- 671	- 141	71,409		Total Liabilities, Shareholders' Equity

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

#### Notes on Adjustments to assets

##### (1) Reconciliation of trade and other receivables and trade and other payables

Accounts receivable-other, which was included in "Other" in current assets under Japanese GAAP, is reclassified to "Trade and other receivables" under IFRS, and accounts payable-other, which was presented separately under Japanese GAAP, is reclassified to "Trade and other payables" under IFRS.

##### (2) Adjustments to other financial assets and financial liabilities

"Investments in securities" and "Guarantee deposits" which had been stated separately under Japanese GAAP have been reclassified as "Other financial assets (non-current)" under IFRS, and "Allowance for doubtful accounts (fixed)," which had been stated separately under Japanese GAAP, have been reclassified as a direct deduction from "Other financial assets (non-current)" under IFRS and presented on a net basis.

"Lease obligations (current)" and "Lease obligations (fixed)," which had been stated separately under Japanese GAAP, have been reclassified as "Other financial liabilities (current)" and "Other financial liabilities (non-current)," respectively, under IFRS.

In accordance with a review of the classification of leases, finance leases, which had been accounted for as operating leases under Japanese GAAP, are accounted for as operating leases under IFRS, and lease liabilities are accounted for as operating leases under IFRS. Under IFRS, we record these items as "Other financial liabilities (current)" and "Other financial liabilities (non-current)."

##### (3) Inventory adjustments

Office supplies and promotional goods, which were included as supplies of "Raw materials and supplies" under Japanese GAAP, are reclassified to retained earnings as they do not meet the definition of assets under IFRS.

(4) Reclassification of deferred tax assets and liabilities and assessment of recoverability of deferred tax assets

Under IFRS, all deferred tax assets and liabilities are classified as non-current items without distinguishing between current and non-current items. Therefore, deferred tax assets and liabilities recorded in current items are reclassified to non-current items. In addition, upon adoption of the IFRS, the recoverability of all deferred tax assets has been reviewed.

(5) Adjustment to recorded amount of property, plant and equipment

Under Japanese GAAP, the depreciation method for property, plant and equipment (excluding leased assets) was mainly the declining-balance method. However, we use the straight-line method under IFRS. In accordance with a review of the classification of leases, finance leases which had been accounted for as operating leases under Japanese GAAP are accounted for as operating leases, and lease assets are accounted for as operating leases under IFRS.

For certain property, plant and equipment, the fair value as of the transition date is used as deemed cost. The fair value of the property, plant and equipment at the transition date was 30,034 million yen, an increase of 2,906 million yen from the book value under Japanese GAAP.

(6) Adjustment to goodwill

Under Japanese GAAP, goodwill is amortized on a straight-line basis over a period within 20 years. Only when there is an indication of impairment, the carrying amount of each cash-generating unit including goodwill is compared with the undiscounted future cash flows, and if the undiscounted future cash flows are less than their carrying amount, an impairment loss is recognized to the recoverable amount, which is the discounted future cash flows.

Under IFRS, goodwill is not amortized but is tested for impairment annually regardless of whether there is an indication of impairment. The carrying amount of each group of cash-generating units, including goodwill, is compared with the recoverable amount, which is discounted future cash flows, and an impairment loss is recognized to the recoverable amount, which is discounted future cash flows.

We performed an impairment test for each cash-generating unit group based on the business plan as of the date of transition to IFRS. As the recoverable amount, which is the discounted future cash flows, was less than the carrying amount, including goodwill, we recognized an impairment loss of 2,437 million yen related to KR Holdings Co., Ltd. at the date of transition to IFRS.

Recoverable amounts are measured at value in use. The value in use is calculated by discounting the estimated cash flows based on management's approved business plans for the following fiscal year to their present value. Business plans reflect management's assessment of future trends in the industry and historical data and are prepared based on external and internal information. In principle, the term of the business plan used to estimate cash flows is limited to five years. The discount rate is calculated based on the weighted average cost of capital of other companies in the same industry and is 7.7%.

Under Japanese GAAP, depreciation was to be carried over a period of 5 to 20 years, while under IFRS, amortization has been suspended since the transition date.

(7) Adjustment of bonds and borrowings

"Short-term borrowings," "bonds due within one year," and "long-term debt due within one year," which were classified as current liabilities under Japanese GAAP, are reclassified under "Bonds and Borrowings (Current)" in IFRS, while "Bonds" and "Long-term Borrowings," which were classified as non-current liabilities under Japanese GAAP, are reclassified under "Bonds and Borrowings (non-current)" in IFRS.

(8) Adjustments to other non-current assets and other current liabilities

"Long-term prepaid expenses" which was separately presented as fixed assets under Japanese GAAP has been reclassified as "Other non-current assets" under IFRS. "Accrued expenses" and "Accrued consumption taxes" which were separately presented as current liabilities under Japanese GAAP have been reclassified as "Other current liabilities" under IFRS.

(9) Liability adjustment that is related to retirement benefits

Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income when incurred and amortized from the year following the year in which they were incurred based on a certain number of years within the average remaining service period of employees. Under IFRS, however, actuarial gains and losses are recognized in other comprehensive income when

incurred and immediately recognized in retained earnings.

(10) Adjustment to provision

"Provision for bonuses," which was separately presented as current liabilities under Japanese GAAP, has been reclassified as "Other current liabilities" under IFRS, and "Provision for shareholder benefit program," "Provision for loss on closing of outlets," and "Asset retirement obligations (current)" have been reclassified as "Provision (current)" under IFRS. "Asset retirement obligations (fixed)," which was separately presented as long-term liabilities under Japanese GAAP, has been reclassified as "provisions (non-current)" under IFRS.

(11) Adjustments to cumulative foreign currency translation adjustments related to foreign subsidiaries

Due to the initial adoption, we selected the exemption provisions stipulated in IFRS 1 and all accumulated translation differences as of the date of transition have been transferred to retained earnings.

(12) Adjustment to retained earnings

(Million yen)

	Transition date (March 1, 2017)	Previous fiscal year (February 28, 2018)
Adjustment to property, plant and equipment	2,005	922
Adjustments to goodwill	-2,437	-1,644
Adjustments to lease assets and lease obligations	-289	-310
Adjustments to other financial assets	-423	-390
Adjustments to other financial liabilities	-198	-150
Adjustments to asset retirement obligations	-182	-158
Adjustment to levies	-266	-300
Transfer of cumulative translation differences related to foreign subsidiaries	449	449
Other adjustments	-248	-308
Sub-total	-1,590	-1,883
Adjustment due to tax effect	-283	271
Adjustments to non-controlling interests	-31	-51
Total	-1,905	-1,672

Adjustments to income and comprehensive income for the previous consolidated fiscal year (from March 1, 2017 to February 28, 2018)  
(the most recent consolidated financial statements)

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Net sales	116,567	-	- 45	116,522	(1)	Revenue
Cost of sales	- 33,533	-	9	- 33,524		Cost of sales
Gross profit	83,034	-	- 36	82,997		Gross profit
Selling, general and administrative expenses	- 76,620	-43	1,025	- 75,638	(2)	Selling, general and administrative expenses
	-	1,761	-	1,761	(3)	Other operating revenue
	-	- 3,009	-	- 3,009	(3)(4)	Other operating expenses
Operating income	6,413	- 1,291	988	6,110		Operating profit
Non-operating income	780	- 855	75	-		
Non-operating expenses	- 299	402	- 103	-		
Extraordinary income	996	- 992	- 4	-		
Extraordinary loss	- 1,664	2,909	- 1,244	-		
	-	86	-	86	(3)	Financial income
	-	- 307	-	- 307	(3)	Financing cost
Income before income taxes	6,226	-48	- 288	5,889		Income before income taxes
Income taxes-current	- 2,698	632	- 4	-2,070	(5)	Income tax expense
Enterprise tax						
Income taxes-deferred	29	- 584	555	-		
Net income	3,557	-	262	3,819		Profit of the year
	-	-	-	-		Net income attributable to
	-	-	-	-		Owners of parent
Net income attributable to non-controlling interests	1,055	-	20	1,075		Non-controlling interests
Net income attributable to owners of parent	2,501	-	242	2,743		

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

(Million yen)

Items under Japanese GAAP	Japanese standard	Reclassifications	Differences in recognition and measurement	IFRS	Note	Items under IFRS
Net income	3,557	-	262	3,819		
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to profit or loss
Of defined benefit plans	- 7	-	0	- 8		Remeasurement of defined benefit plans
						Items that may be reclassified subsequently to profit or loss
Deferred gains or losses on hedges	0	-	0	-		Effective portion of cash flow hedges
Foreign currency translation adjustment	19	-	- 43	- 23		Foreign currency translation adjustments
Total other comprehensive income	11	-	- 43	- 32		Total other comprehensive income, net of tax
Comprehensive income	3,568	-	218	3,787		Comprehensive income for the year
Breakdown						
Comprehensive income attributable to owners of the parent	2,513	-	197	2,710		
Comprehensive income attributable to minority interests	1,055	-	20	1,076		

(Note) Under Japanese GAAP, certain non-consolidated subsidiaries that were not included in the scope of consolidation are included in the scope of consolidation under IFRS. Under Japanese GAAP, consolidated financial statements are prepared based on the financial statements as of the closing date of the relevant subsidiaries even if the closing date of the subsidiaries differs from our fiscal year-end. Under IFRS, consolidated financial statements are prepared using the same reporting date as our fiscal year-end by provisional closing under Japanese GAAP, and adjustments are made accordingly.

## Notes on Adjustments to Income and Comprehensive Income

### (1) Adjustments to revenue

Under Japanese GAAP, the cost of using points granted to customers was estimated as an allowance for points, and the provision for this allowance was recorded as an operating expense. Under IFRS, however, these points are separately recognized as services to be delivered in the future, and the fair value of the services exchanged for points is deferred from revenue and revenue is recognized when the customer uses the points.

(2) Adjustment to selling, general and administrative expenses

Under Japanese GAAP, the depreciation method for property, plant and equipment (excluding leased assets) was mainly the declining-balance method. However, we use the straight-line method under IFRS. As a result of this change, selling, general and administrative expenses, including depreciation expenses, were adjusted, and gains and losses on sales of fixed assets, which had been recorded under the previous depreciation method, were recalculated.

Under Japanese GAAP, goodwill is amortized, but under IFRS, it is not amortized. Therefore, amortization after the transition date has been discontinued.

(3) Adjustment to items indicated

Items included in "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary loss" under Japanese GAAP are recorded as "Financial income" and "Financial expenses" under IFRS, while other items are presented as "Other operating income" and "Other operating expenses."

(4) Adjustment to impairment loss

With regard to impairment losses included in other operating expenses, under Japanese GAAP, when there are indications that fixed assets may be impaired, we compare the carrying amount of fixed assets with the undiscounted future cash flows and recognize impairment losses on fixed assets only when the carrying amount exceeds the undiscounted future cash flows. Under IFRS, if there are indications that fixed assets may be impaired, an impairment loss on fixed assets is recognized in the amount by which the carrying amount of fixed assets exceeds the recoverable amount.

(5) Adjustment to income tax expense

"Income taxes-current" and "Income taxes-deferred" had been presented separately under Japanese GAAP, but are presented collectively as "Income tax expenses" under IFRS.

Adjustments to cash flows for the previous consolidated fiscal year (from March 1, 2017 to February 28, 2018) (the most recent consolidated financial statements)

Major differences between the consolidated statements of cash flows in accordance with Japanese GAAP and the consolidated statements of cash flows in accordance with IFRS are as follows: finance leases, which had been accounted for as operating cash flows under Japanese GAAP, are treated as repayments of lease obligations under IFRS.