Summary of Financial Results for the Second Quarter Ended August 31, 2019 [IFRS] (Consolidated)

October 11, 2019

Company	**create restaurants holdings inc.**	Listed on the TSE
Stock Code	3387 URL: http://www.createrestaurants.com	
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Expected date of filing of quarterly report: October 11, 2019 Expected starting date of dividend payment: November 11, 2019
Preparation of quarterly supplementary financial document: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended August 2019 (March 1, 2019 through August 31, 2019)

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

	Revenue		Operating profit		Profit before taxes		Profit for the period		Profit attributable to owners of parent		Basic profit per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 2019	63,524	6.0	4,296	45.0	4,303	52.5	2,773	54.6	2,400	72.3	2,691	48.5
Six months ended Aug. 2018	59,931	-	2,963	-	2,821	-	1,793	-	1,393	-	1,813	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 2019	25.71	25.70
Six months ended Aug. 2018	14.76	14.76

(Reference) Adjusted EBITDA: Six months ended Aug. 2019: 12,790 million yen (116.8%)
Six months ended Aug. 2018: 5,899 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.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	Million yen	Million yen	%	Yen
As of Aug. 2019	128,739	25,626	17,776	13.8
As of Feb. 2019	72,459	23,996	16,361	22.6

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Feb. 2019	-	6.00	-	6.00	12.00
Year ending Feb. 2020	-	6.00			
Year ending Feb. 2020 (forecast)			-	6.00	12.00

(Note) Revisions to dividend forecast for the current quarter: None

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 period		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	140,000	17.4	7,500	88.6	7,000	89.8	4,500	117.1	3,700	180.0	39.62

(Note) Revisions to business forecast for the current quarter: Yes
(Reference) Adjusted EBITDA: Year ending February 2020 (Forecast): 25,000 million yen (131.2%)

***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

①Changes in accounting policies required under IFRS:	: Yes
②Changes in accounting policies due to reasons other than ①	: None
③Changes in accounting estimates	: None

(3) Shares outstanding (common stock)

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

As of August 2019	94,722,642 shares
As of February 2019	94,722,642 shares

②Treasury stock at the end of period

As of August 2019	1,332,675 shares
As of February 2019	1,333,275 shares

③Average number of stock during period (quarterly cumulative period)

Six months ended August 2019	93,389,605 shares
Six months ended August 2018	94,389,367 shares

(Note) Treasury stock to be deducted for the calculation of the number of treasury stock at the end of the period and the average number of stock during period (quarterly cumulative period) include the Company's shares held by the Japan Trustee Services Bank, Ltd. (trust account) as a trust asset related to the Employee Incentive Plan "Trust-type ESOP for Employees."

***Quarterly financial summary is not subject to the quarterly review 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"). Figures for the previous fiscal year are also disclosed in accordance with 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 3 of the attached document for the precautions for using the prerequisites for business forecasts.

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1. Qualitative Information on Results for the Current Quarter

(1) Qualitative information on the consolidated financial results

In the second quarter of the current fiscal year, the Japanese economy continued to recover moderately on the back of an increase in capital investment and an improvement in the employment and income environment. However, the outlook remained unclear due to political trends overseas and economic uncertainties, including trends in trade issues, particularly in the United States, and concerns about the outlook for the Chinese economy.

In the restaurant industry, although consumer sentiment shows improving trend, the business environment remains severe due to the prolonged labor shortage.

In such environment, the Group systematically opened specialty restaurants in commercial facilities, downtown districts, station fronts, opening 19 new outlets and closing 17 outlets. The Company made full use of its ability to respond to changes, which is the strength of the Group Federation Management, to actively change and renovate business formats, as well as to change business formats between groups across the boundaries of companies. Through M&As, 7 outlets of Kiya Foods Co., Ltd. and 19 outlets of Joh Smile Corporation and 22 outlets of CLOOC DINING CO., LTD. that joined the Group through the consolidated subsidiary SFP Holdings Co., Ltd. were newly included in the scope of consolidation. As a result, the number of outlets on a consolidated basis, including consignment outlets, at the end of the second quarter was 975.

As a result, in the second quarter of the current fiscal year, revenue was 63,524 million yen (up 6.0% year on year), operating profit was 4,296 million yen (up 45.0% year on year), profit before taxes was 4,303 million yen (up 52.5% year on year), profit for the period was 2,773 million yen (up 54.6% year on year), and profit attributable to owners of parent was 2,400 million yen (up 72.3% year on year). Adjusted EBITDA increased to 12,790 million (up by 116.8% year on year) and its margin was 20.1% (9.8% in the same period of the previous fiscal year) (Note 1). The significant increase in Adjusted EBITDA is due to the adoption of IFRS No. 16 Leases standard.

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

The formula for adjusted EBITDA and its margin are as follows:

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

・Adjusted EBITDA margin = Adjusted EBITDA/Revenue × 100

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and shareholders' equity

(Assets)

Current assets at the end of the second quarter of the current fiscal year were 28,306 million yen, increased by 9,256 million yen from the end of the previous fiscal year. This was mainly due to an increase of 7,811 million yen in cash and deposits.

Non-current assets at the end of the second quarter of the current fiscal year were 100,433 million yen, increased by 47,023 million yen from the end of the previous fiscal year. This was mainly due to an increase in property, plant and equipment of 43,771 million yen resulting from the adoption of IFRS No. 16 Leases standard.

(Liabilities)

The balance of liabilities at the end of the second quarter of the current fiscal year was 103,113 million yen, increased by 54,650 million yen from the end of the previous fiscal year. This was mainly due to an increase in lease liabilities of 45,166 million yen resulting from the adoption of IFRS No. 16 Leases standard.

(Assets)

The balance of shareholders' equity at the end of the second quarter of the current fiscal year was 25,626 million yen, increased by 1,629 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,454 million yen in retained earnings.

(2) Consolidated results of cash flows

Cash and cash equivalents (hereinafter "Net cash") at the end of the second quarter of the current fiscal year was 21,060 million yen, increased by 7,811 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities for the second quarter of the current fiscal year was 12,175 million yen (up 218.5% year on year). This was mainly due to the recording of 4,303 million yen in Profit before taxes and 7,926 million yen in depreciation and amortization due to the adoption of IFRS No. 16 Leases standard.

(Cash flow from investing activities)

Net cash used in investing activities for the second quarter of the current fiscal year was 4,089 million yen (up 89.1% year on year). This was mainly due to purchase of investments in subsidiaries resulting in change in scope of consolidation of 1,820 million yen and purchase of property, plant and equipment of 1,739 million yen.

(Cash flow from financing activities)

Net cash used in investing activities for the second quarter of the current fiscal year was 223 million yen (down 79.9% year on year). This was mainly due to repayments of lease liabilities of 5,966 million yen due to the adoption of IFRS No. 16 Leases standard, repayments of long-term loans payable of 3,335 million yen and cash dividends paid of 565 million yen, despite proceeds from long-term loans payable of 11,228 million yen.

(3) Qualitative information on the consolidated business forecasts

As for the outlook for the current fiscal year, 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.

The full-year consolidated business forecasts for the fiscal year ending February 2020, which was announced on July 12, 2019, have been revised. For details, please refer to the "Notice of Revisions to Business Forecasts (Upward revision)" announced on October 11, 2019.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Note	Previous Fiscal Year (February 28, 2019)	Current Second Quarter (August 31, 2019)
Assets			
Current assets			
Cash and cash equivalents		13,248	21,060
Trade and other receivables		3,107	5,415
Other financial assets		—	0
Inventories		536	625
Other current assets		2,157	1,204
Total current assets		19,050	28,306
Non-current assets			
Property, plant and equipment		27,350	71,122
Goodwill		11,853	14,092
Intangible assets		1,686	1,647
Other financial assets		10,679	11,269
Deferred tax assets		1,837	2,288
Other non-current assets		1	12
Total non-current assets		53,409	100,433
Total assets		72,459	128,739

(Million yen)

	Note	Previous Fiscal Year (February 28, 2019)	Current Second Quarter (August 31, 2019)
Liabilities and assets			
Liabilities			
Current liabilities			
Trade and other payables		4,419	5,531
Bonds and borrowings		7,441	12,301
Lease liabilities		280	12,127
Other financial liabilities		149	147
Income taxes payable		953	1,549
Provision		769	949
Other current liability		7,055	7,434
Total current liabilities		21,069	40,040
Non-current liability			
Bonds and borrowings		21,609	23,910
Lease liabilities		1,437	34,757
Obligations for retirement pay		727	715
Provision		2,897	2,947
Deferred tax liabilities		300	164
Other non-current liabilities		419	576
Total non-current liabilities		27,393	63,072
Total liabilities		48,462	103,113
Capital			
Capital stock		1,012	1,012
Capital surplus		3,071	3,114
Retained earnings		13,551	15,005
Treasury stock		-1,253	-1,252
Other components of equity		-20	-101
Equity attributable to the owners of parent		16,361	17,776
Non-controlling interests		7,635	7,849
Total assets		23,996	25,626
Total liabilities and shareholders' equity		72,459	128,739

(2) Condensed Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Condensed Quarterly Consolidated Statements of Income

Consolidated Cumulative Second Quarter

(Million yen)

	Note	Previous Second Quarter (March 1, 2018 to August 31, 2018)	Current Second Quarter (March 1, 2019 to August 31, 2019)
Revenue		59,931	63,524
Cost of sales		17,277	18,090
Gross profit		42,653	45,434
Selling, general and administrative expenses		-39,189	-40,894
Other operating revenue		500	1,045
Other operating expenses		-1,000	-1,288
Operating profit		2,963	4,296
Financial income		10	248
Financing cost		-152	-241
Profit before taxes		2,821	4,303
Corporate income tax expenses		1,027	1,529
Profit for the period		1,793	2,773
Net income attributable to			
Owners of parent		1,393	2,400
Non-controlling interests		400	372
Profit for the period		1,793	2,773
Profit per share attributable to owners of parent (yen)			
Basic profit per share		14.76	25.71
Diluted earnings per share		14.76	25.70

Current Second Quarter

(Million yen)

	Note	Previous Second Quarter (June 1, 2018 to August 31, 2018)	Current Second Quarter (June 1, 2019 to August 31, 2019)
Revenue		29,797	31,573
Cost of sales		8,577	8,997
Gross profit		21,220	22,576
Selling, general and administrative expenses		-19,790	-20,605
Other operating revenue		246	360
Other operating expenses		-459	-859
Operating profit		1,216	1,472
Financial income		5	157
Financing cost		-87	-124
Profit before taxes		1,134	1,504
Corporate income tax expenses		406	514
Profit for the period		727	990
Net income attributable to			
Owners of parent		536	861
Non-controlling interests		191	129
Profit for the period		727	990
Profit per share attributable to owners of parent (yen)			
Basic profit per share		5.68	9.22
Diluted earnings per share		5.68	9.22

Consolidated Statements of Comprehensive Income

Consolidated Cumulative Second Quarter

(Million yen)

	Note	Previous Second Quarter (March 1, 2018 to August 31, 2018)	Current Second Quarter (March 1, 2019 to August 31, 2019)
Profit for the period		1,793	2,773
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		19	-81
Total		19	-81
Total other comprehensive income		19	-81
Comprehensive income		1,813	2,691
Comprehensive income attributable to			
Owners of parent		1,412	2,319
Non-controlling interests		400	372
Comprehensive income		1,813	2,691

Current Second Quarter

(Million yen)

	Note	Previous Second Quarter (June 1, 2018 to August 31, 2018)	Current Second Quarter (June 1, 2019 to August 31, 2019)
Profit for the period		727	990
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		17	-48
Total		17	-48
Total other comprehensive income		17	-48
Comprehensive income		745	942
Comprehensive income attributable to			
Owners of parent		554	813
Non-controlling interests		191	129
Comprehensive income		745	942

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Previous Second Quarter (March 1, 2018 to August 31, 2018)

(Unit: Million yen)

		Equity attributable to owners of parent								
						Other components of equity				
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total	Total	Non-controlling equity	Total capital
Balance at March 1, 2018		1,012	3,792	13,275	-20	-23	-23	18,036	6,402	24,438
Profit for the period		—	—	1,393	—	—	—	1,393	400	1,793
Other comprehensive income		—	—	—	—	19	19	19	—	19
Comprehensive income		—	—	1,393	—	19	19	1,412	400	1,813
Dividend	9	—	—	-471	—	—	—	-471	-121	-593
Change of owner interests in consolidated subsidiaries without loss of control		—	-830	—	—	—	—	-830	726	-104
Other		—	—	—	—	—	—	—	-0	-0
Total transactions with owners		—	-830	-471	—	—	—	-1,302	604	-697
Balance at August 31, 2018		1,012	2,962	14,196	-20	-4	-4	18,146	7,407	25,554

Current Second Quarter (March 1, 2019 to August 31, 2019)

(Unit: Million yen)

		Equity attributable to owners of parent								
						Other components of equity				
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total	Total	Non-controlling equity	Total capital
Balance at March 1, 2019		1,012	3,071	13,551	-1,253	-20	-20	16,361	7,635	23,996
Effects of changes in accounting policies		—	—	-386	—	—	—	-386	-53	-439
Balance as of March 1, 2019 (revised)		1,012	3,071	13,164	-1,253	-20	-20	15,974	7,582	23,557
Profit for the period		—	—	2,400	—	—	—	2,400	372	2,773
Other comprehensive income		—	—	—	—	-81	-81	-81	—	-81
Comprehensive income		—	—	2,400	—	-81	-81	2,319	372	2,691
Dividend	9	—	—	-560	—	—	—	-560	-120	-681
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries		—	-18	—	—	—	—	-18	15	-2
Share-based payment transactions		—	60	—	—	—	—	60	—	60
Other		—	-0	—	0	—	—	0	0	0
Total transactions with owners		—	42	-560	0	—	—	-517	-105	-622
Balance at August 31, 2019		1,012	3,114	15,005	-1,252	-101	-101	17,776	7,849	25,626

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Note	Previous Second Quarter (March 1, 2018 to August 31, 2018)	Current Second Quarter (March 1, 2019 to August 31, 2019)
Consolidated statements of cash flows			
Profit before taxes		2,821	4,303
Depreciation and amortization		2,078	7,926
Impairment loss		847	1,062
Interest income		-4	-4
Interest expense		142	224
Loss (gain) on sale of non-current assets		-3	-0
Loss on retirement of fixed assets		54	43
Changes in inventories		-23	-70
Decrease (increase) in trade and other receivables		-1,032	-2,203
Increase (decrease) in trade and other payables		786	907
Increase (decrease) in net retirement benefit liability		2	-14
Increase (decrease) in allowance		18	53
Other changes		1,274	280
Sub-total		6,962	12,508
Interest and dividend received		4	4
Interest expenses paid		-137	-218
Income taxes paid		-3,006	-1,175
Income taxes refunded		0	1,057
Cash flows from operating activities		3,823	12,175
Cash flow from investing activities			
Purchase of property, plant and equipment		-1,787	-1,739
Proceeds from sales of property, plant and equipment		3	20
Payments for asset retirement obligations		-46	-75
Purchase of property, plant intangible		-44	-33
Payments for guarantee deposits		-295	-352
Proceeds from collection of guarantee deposits		120	36
Purchase of shares of subsidiaries		—	-13
Purchase of investments in subsidiaries resulting in change in scope of consolidation	7	-14	-1,820
Other		-97	-110
Cash flow from investing activities		-2,162	-4,089

(Million yen)

	Note	Previous Second Quarter (March 1, 2018 to August 31, 2018)	Current Second Quarter (March 1, 2019 to August 31, 2019)
Cash flow from financing activities			
Net increase (decrease) in short-term borrowings		-3,000	-1,200
Proceeds from long-term debt		5,700	11,228
Repayment of long-term loans payable		-2,607	-3,335
Redemption of bonds		-255	-265
Repayments of lease liabilities		-203	-5,966
Expenditure for acquisition of treasury stock by consolidated subsidiaries		-104	-0
Cash dividends paid	9	-473	-565
Proceeds from share issuance to non-controlling shareholders		—	10
Dividends paid to non-controlling interests		-121	-120
Other		-45	-8
Cash flow from financing activities		-1,109	-223
Effect of exchange rate change on cash and cash equivalents		17	-50
Net increase (decrease) in cash and cash equivalents		569	7,811
Balance of cash and cash equivalents at beginning of period		12,665	13,248
Balance of cash and cash equivalents at period-end		13,235	21,060

(5) Notes on the Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

None

(Changes in accounting policies)

The important accounting policies applied in the Group's condensed quarterly consolidated financial statements are identical to the accounting policies applied in the consolidated financial statements for the previous fiscal year except for the following items.

The income tax expense for the second quarter of the current fiscal year is calculated based on the estimated annual effective tax rate.

Adoption of IFRS No. 16 Leases standard

Whether the contract is a lease or whether the contract includes a lease is determined on the basis of the substance of the contract, even if the contract itself is not legally in the form of a lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases with lease terms expiring within periods of 12 months and leases of assets of small value for which the amounts of the underlying assets are of small value.

If the contract is a lease or contains a lease, the right-of-use assets and lease liabilities are recorded in the condensed quarterly consolidated financial statements as of the commencement date, except for short-term leases or leases of small-value assets. Lease payments for short-term leases and leases of small-value assets are recognized as expenses over the course of the term of the lease, either on a straight-line basis or on a declining-balance basis.

The cost model is used to measure the right-of-use assets and these assets are shown at cost less accumulated depreciation and accumulated impairment losses.

The acquisition price has been adjusted by adjusting the initial direct costs and prepaid lease payments to the initial measurement value of the lease liabilities and includes costs such as the restoration obligation required under the lease contract. Right-of-use assets are depreciated on a straight-line basis over the period of the term of the lease. Lease liabilities are measured at the discounted present value of the unpaid lease payments. Lease payments are allocated to financial expenses and the repayment amount of the lease liability is based on the effective interest rate method. Financial expenses are recognized in the condensed quarterly consolidated statements of income.

The adoption of IFRS No. 16 does not restate comparative information, which is permitted as a transitional measure, and recognizes the cumulative effect of the adoption of this standard as a correction to the opening balance of the opening retained earnings and so the Company adopt a (modified retrospective approach) method. The weighted average of additional borrowing interest rates applied to lease liabilities recognized in the condensed quarterly consolidated financial statement as of the commencement date of adoption is 0.58%.

In adopting IFRS No.16, the practical expedient method is selected to determine as to whether a lease is included in the contract, and IAS No.17 “Leases” standard (hereinafter “IAS No.17”) and IFRIC 4 “Determination of whether or not contracts include a Lease” have been adopted. After the date of the commencement of application, the Company subsequently makes its judgment based on the provisions of IFRS No.16.

The following is a reconciliation of non-cancellable operating lease agreements to which IAS No.17 was adopted at the end of the previous consolidated fiscal year and the lease liabilities recognized in the condensed quarterly consolidated financial position statement as of the date of commencement of application.

(Million yen)

Non-cancellable operating leases contracts (February 28, 2019)	379
Finance lease obligations (February 28, 2019)	1,718
The effect of the lease period on a surrender option reasonably certain not to be exercised	45,047
Lease liabilities (March 1, 2019)	47,145

As a result, in comparison with the case where the previous accounting standard has been applied, tangible fixed assets at the beginning of the first quarter of the current consolidated accounting period increased by 45,130 million yen, deferred tax assets by 181 million yen, and other financial liabilities by 45,751 million yen, and retained earnings decreased by 386 million yen and non-controlling interests by 53 million yen.

"Lease obligations" presented in the consolidated statement of financial position for the previous consolidated fiscal year is restated as "Lease liabilities" from the first quarter of the current fiscal year.

In addition, “repayments of lease obligations,” presented in the Condensed Quarterly Consolidated Statement of Cash Flows for the previous consolidated fiscal year, is restated as “repayments of lease liabilities.”

Other than the above, the adoption of the above standard has no material impact on the condensed quarterly consolidated financial statements.

(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.

(Unit: Million yen)

	Previous Second Quarter (March 1, 2018 to August 31, 2018)	Current Second Quarter (March 1, 2019 to August 31, 2019)
Profit attributable to owners of parent	1,393	2,400
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries	-0	-1
Profit for the period used to compute diluted earnings per share	1,392	2,399
Weighted average number of shares of common shares outstanding (shares)	94,389,367	93,389,605
Weighted average number of common diluted shares outstanding (shares)	94,389,367	93,389,605
Basic profit per share (yen)	14.76	25.71
Diluted profit per share (yen)	14.76	25.70

(Note) "Basic profit per share" and "Diluted profit per share" are calculated by deducting our shares held by the "Trust-type ESOP for Employees," which are recorded as treasury shares in other components of equity, from the calculation of the average number of shares during the period. (Current second quarter: 999,761 shares)

(Unit: Million yen)

	Previous Second Quarter (June 1, 2018 to August 31, 2018)	Current Second Quarter (June 1, 2019 to August 31, 2019)
Profit attributable to owners of parent	536	861
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries	0	-0
Profit for the period used to compute diluted earnings per share	537	860
Weighted average number of shares of common shares outstanding (shares)	94,389,367	93,389,767
Weighted average number of common diluted shares outstanding (shares)	94,389,367	93,389,767
Basic profit per share (yen)	5.68	9.22
Diluted profit per share (yen)	5.68	9.22

(Note) "Basic profit per share" and "Diluted profit per share" are calculated by deducting our shares held by the " Trust-type ESOP for Employees," which are recorded as treasury shares in other components of equity, from the calculation of the average number of shares during the period. (Current second quarter: 999,600 shares)

(Significant subsequent events)

Business Combination through Acquisition

I. Acquisition of shares of SSL, Inc.

1. Outline of the Business Combination

(1) Name and business of the acquired company

Name	SSL, Inc.
Contents of business	Operation of restaurants in golf courses, and operation and management of various public and accommodation facilities, Operation of restaurants in theme parks and commercial facilities

(2) Main reasons for the business combination

Seiyo Food-Compass Group, Inc. (SFCG) is a member of the world's largest Compass Group in contract food services. It provides high-quality food services in various categories: operates cafeterias for offices and factories, provides food services at school lunches and educational facilities, hospitals, Nursing home, and operates restaurants in service areas, parking areas and golf courses, operates and manages various public facilities, and operates restaurants in theme parks and commercial facilities.

We resolved to acquire all of the shares of SSL, which was newly established by SFCG, in order to acquire a part of the sports business (restaurant operations at golf courses) and leisure business (operation and management of various public facilities, restaurant operations at theme parks and commercial facilities, etc.) in the above business. After the acquisition of the Relevant Business through absorption-type split, we changed its name to Create Sports & Leisure Co., Ltd. and made it a consolidated subsidiary.

Through Create Sports & Leisure Co., Ltd., we will make a full-fledged entry into the contract services business, and we expect to improve the quality of the Group's business portfolio by acquiring a comprehensive portfolio of entrusted businesses in which clients bear the investment burden.

In particular, SFCG boasts the industry's leading market share for golf courses restaurant management in the sports business. Based on its trust and business results, we expect an increase in outsourcing of restaurant management within golf courses, and we believe that it will be able to secure stable earnings by acquiring restaurants that have been maintained by leading companies in the industry for many years.

In addition, we believe that we can further improve our store management capabilities by sharing experiences and know-how, management methods, purchasing, menu development, etc. each other, to deploy diverse brands nationwide in diverse locations.

The Company decided to acquire the shares based on the judgment that this will lead to further evolution of Group Federation Management and, consequently, to an increase in corporate value, with the aim of expanding the scope of the Group's business and create synergies within the Group.

(3) Date of business combination

September 1, 2019

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name following business combination

The Company changed the company name from SSL, Inc. to Create Sports & Leisure Co., Ltd. as of September 1, 2019.

(6) Percentage of voting rights to acquire

100.0%

(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

Acquisition price (cash)	5,870	million yen
Acquisition cost	5,870	million yen

3. Details and amount of major acquisition-related expenses

Advisory expenses, etc. (estimated) 14 million yen

4. Goodwill, reason for recognizing goodwill, amortization

We have not yet determined.

II. Acquisition of shares of Icchou Inc.

1. Outline of the Business Combination

(1) Name and business of the acquired company

Name	Icchou Inc.
Contents of business	Operation of restaurants and Izakaya (Japanese-style pub) chain, etc.

(2) Main reasons for the business combination

Icchou Inc. operates 40 outlets centering on "Icchou" Japanese cuisine restaurants, and 5 "YOROZU-YA", a Yakiniku restaurant.

The "Icchou" restaurants are characterized by an atmosphere reminiscent of high-end traditional Japanese restaurants, enabling enjoyment of a wide range of menu choices paired with delicious sake and other alcohol drinks. Large and small separate rooms are available for all occasions from anniversaries to business entertainment to banquets, and the facilities are hugely popular among local residents.

The Icchou business model incorporates highly varied menus and separate rooms that accommodate the varied needs of a wide range of customer classes. The chain's unique characteristics are its reasonable prices that ensure a high frequency of repeat business and closeness to the localities. The central kitchen and self-distribution format make for high productivity that lowers costs, in a virtuous cycle.

By means of business combination schemes, this integration has its purposes of the induction of a prominent North Kanto area dining-out corporation into the Company's group, acquiring Icchou's own competitive business model developed over many years, and incorporation of our group's first central kitchen operational knowhow to bring about internal synergies. For these reasons we acquired all of the stock of Icchou, which has become a consolidated subsidiary.

Further, Icchou will link to the various business companies in our group, share accumulated experience and expertise as well as property development information and operating management methods, thereby enabling further improvement in shop operational strengths. The stock has been acquired because the creation of intra-group synergies will further reinforce "Group Federation Management" and enhance our corporate value.

(3) Date of business combination

October 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 to acquire

100.0%

(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

Acquisition price (cash)	7,000 million yen
Acquisition cost	7,000 million yen

3. Details and amount of major acquisition-related expenses

Advisory expenses, etc. (estimated) 10 million yen

4. Goodwill, reason for recognizing goodwill, amortization

We have not yet determined.

III. Acquisitions of equity interest of Il Fornaio(America) LLC by our consolidated subsidiary

1. Outline of the Business Combination

(1) Name and business of the acquired company

Name	Il Fornaio(America) LLC
Contents of business	Operation of Italian restaurants

(2) Main reasons for the business combination

The "IL FORNAIO" brand operates 20 outlets in three U.S. states centering on California, and with a history of more than 30 years is well known locally in the U.S. as authentic Italian cuisine restaurant.

Via our consolidated subsidiary Create Restaurants NY, Inc. (hereinafter "CRNY"), we have acquired an equity position in Il Fornaio (America) LLC, which deploys the "IL FORNAIO" Italian restaurant brand in North America. This will contribute substantially to establishment of a Create platform there. Going forward, we believe this is an epoch-making move that will accelerate business development in that area.

The stock has been acquired because this acquisitions of equity will enable stable North American earnings for the group, cooperation with CRNY-run restaurants, and deployment of group restaurants there, aggressive M&A in other restaurant brands, and other possibilities in the future.

(3) Date of business combination

September 30, 2019

(4) Legal form of business combination

Acquisition of equity interest 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 to acquire

100.00%*

(*) Create Restaurants NY Inc. acquired a 100% interest in Il Fornaio(America) LLC in exchange for cash.

(7) Main reasons for deciding the acquiring company

Create Restaurants NY Inc.is an acquiring company as they acquire the equity interest in exchange for cash.

2. Acquisition cost of the acquired company and its breakdown

Acquisition price (cash)	74.2 million USD (Cash-free, Debt-free basis)
Acquisition cost	74.2 million USD (Cash-free, Debt-free basis)

3. Details and amount of major acquisition-related expenses

Advisory expenses, etc. (estimated) 1.0 million USD

4. Goodwill, reason for recognizing goodwill, amortization

We have not yet determined.