

Summary of Business Results for the Year Ended February 29, 2020 [IFRS] (Consolidated)

April 21, 2020

Company **create restaurants holdings inc.** Listed on the TSE
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 Expected date of annual shareholders' meeting: May 27 2020 Expected starting date of dividend payment: -
 Expected date of filing of annual securities report: May 28, 2020
 Preparation of supplementary financial document: Yes
 Results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended February 2020 (March 1, 2019 through February 29, 2020)

(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		Total Comprehensive profit for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Feb. 2020	139,328	16.8	3,483	-12.4	3,118	-15.4	1,818	-12.3	1,278	-3.2	1,902	-7.9
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

	Basic earnings per share	Diluted earnings per share	Profit ratio to total equity attributable to owners of parent	Profit before taxes ratio to total assets	Operating income ratio to revenue
	Yen	Yen	%	%	%
Year ended Feb. 2020	6.85	6.82	7.8	2.8	2.5
Year ended Feb. 2019	7.03	6.89	7.7	5.1	3.3

(Reference) Investment earnings/loss on equity-method: Year ended February 2020: -million yen Year ended Feb. 2019: -million yen
 Adjusted EBITDA: Year ended February 2020: 25,212 million yen (133.1%) Year ended Feb. 2019: 10,814 million yen (-12.1%)

(Note 1) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, "Basic earnings per share" and "Diluted earnings per share" have been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

(Note 2) "Basic earnings per share" and "Diluted earnings per share" are calculated based on "Profit attributable to owners of the parent."

(Note 3) 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. 2020	149,997	24,188	16,289	10.9	87.21
As of Feb. 2019	72,459	23,996	16,361	22.6	87.60

(Note) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, the equity per share attributable to owners of parent has been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

(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. 2020	24,818	-25,646	5,449	17,944
Year ended Feb. 2019	8,364	-4,886	-2,900	13,248

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. 2019	-	6.00	-	6.00	12.00	1,132	170.8	13.1
Year ended Feb. 2020	-	6.00	-	0.00	6.00	566	87.6	6.9
Year ending Feb. 2021 (forecast)	-	-	-	-	-	-	-	-

(Note 1) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, "Dividend payout ratio (consolidated)" and "Ratio of

dividends to equity attributable to owner of parent (consolidated)" for the fiscal year ended February 2019 have been calculated on the assumption of this stock split.

(Note 2) The second quarter-end dividend and year-end dividend for the fiscal year ending February 2021 (forecast) have not yet been determined. The forecasted dividend amount will be announced as soon as it becomes possible to disclose it.

3. Forecast of consolidated business results for the fiscal year ending February 2021 (March 1, 2020 through February 28, 2021)

The consolidated business forecasts for the fiscal year ending February 2021 has not been determined because it is difficult to reasonably estimate the impact of the new coronavirus (COVID-19) infection at this time. The Company will promptly disclose the business forecasts when it becomes possible to do so.

*Notes

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

Newly included: 3 (Create Sports & Leisure Co., Ltd., Icchou Inc., Il Fornaio (America) LLC)

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

- ① Changes in accounting policies required under IFRS: : Yes
 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 2020 189,445,284 shares
 As of February 2019 189,445,284 shares

② Treasury stock at the end of period:

As of February 2020 2,664,750 shares
 As of February 2019 2,666,550 shares

③ Average number of stock during period (cumulative period)

Year ended February 2020 186,779,748 shares
 Year ended February 2019 188,071,884 shares

(Note 1) 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."

(Note 2) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, the number of shares has been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended February 2020

(March 1, 2019 through February 29, 2020)

(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. 2020	5,717	1.5	1,928	24.8	2,670	16.9	-942	—
Year ended Feb. 2019	5,633	3.0	1,544	-15.2	2,283	-5.5	5,991	994.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Feb. 2020	-5.05	—
Year ended Feb. 2019	31.86	—

(Note) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, "Net income per share" and "Diluted net income per share" have been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 2020	68,301	11,340	16.6	60.71
As of Feb. 2019	47,171	13,414	28.4	71.82

(Reference) Shareholders' equity:

As of February 2020: 11,340 million yen
 As of February 2019: 13,414 million yen

(Note) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, "Net assets per share" has been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

***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 adopts International Financial Reporting Standards ("IFRS").
- (2) The consolidated business forecasts for the fiscal year ending February 2021 has not been determined because it is difficult to reasonably estimate the impact of the new coronavirus (COVID-19) infection at this time. The Company will promptly disclose the business forecasts when it becomes possible to do so.

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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

In 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 mainly in the first half of the fiscal year. However, the outlook remained unclear due to the impact of the new coronavirus (COVID-19) infections, in addition to political trends overseas and economic uncertainties, including trends in trade issues, particularly in the United States, concerns about the outlook for the Chinese economy and British exit from the European Union.

In the restaurant industry, despite a trend toward a recovery in consumption, the business environment remains unclear, with rising labor costs due to the prolonged labor shortage, the introduction of a reduced tax rate in line with the consumption tax hike in October 2019, and the effect of self-restraint for going out due to COVID-19.

In such an environment, the Group systematically opened specialty restaurants in commercial facilities, downtown districts, station fronts, opening 43 new outlets and closing 56 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. Furthermore, the following outlets were included in the scope of consolidation through M&As: 7 outlets of Kiya Foods Co., Ltd., 19 outlets of Joh Smile Corporation and 22 outlets of CLOOC DINING CO., LTD., which joined our Group through M&A by our consolidated subsidiary SFP Holdings Co., Ltd., 124 outlets of Create Sports & Leisure Co., Ltd. which operates restaurants at golf courses and leisure facilities as the consignment business, 20 outlets of Il Fornaio (America) LLC, which joined the group through our first large-scale overseas M&A, and 46 outlets of Icchou Inc., which operates Japanese restaurants mainly in the northern Kanto region. As a result, the number of outlets on a consolidated basis, including consignment outlets, at the end of the fiscal year was 1,149.

As a result of the above, revenue for the current fiscal year was 139,328 million yen (up 16.8% year on year), operating profit was 3,483 million yen (down 12.4% year on year), profit before taxes was 3,118 million yen (down 15.4% year on year), profit for the year was 1,818 million yen (down 12.3% year on year), and profit attributable to owners of the parent was 1,278 million yen (down 3.2% year on year). Adjusted EBITDA increased to 25,212 million (up by 133.1% year on year) and its margin was 18.1% (9.1% 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 is used as a useful indicator of our financial results.

The formula for adjusted EBITDA and its margin is 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

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., Create Bayside Inc., and Create Sports & Leisure Co., Ltd., and operates restaurants and food courts under a variety of brands, mainly in commercial facilities, in addition to consignment operation of restaurants in golf courses, etc.

During the current fiscal year, our Group opened 15 new outlets through the opening of Shabu Shabu restaurant and dessert brands, closed 24 outlets, and acquired 124 outlets through M&A.

As a result of the above, the Category posted revenue of 51,843 million yen for the current fiscal year, and the number of consolidated outlets was 569.

(SFP Category)

This category consists of restaurants operated by SFP Holdings Co., Ltd., Joh Smile Corporation, CLOOC DINING CO., LTD., and operates izakaya restaurants, such as ISOMARU SUISAN, Toriyoshi and Toriyoshi Shoten brands, mainly in urban downtown

districts and in Kumamoto Prefecture and Nagano Prefecture.

During the current fiscal year, our Group opened 11 new outlets through openings of ISOMARU SUISAN in Kumamoto Prefecture and Nagano Prefecture in addition to urban areas, closed 16 outlets, and acquired 41 outlets through M&A.

As a result of the above, the Category posted revenue of 40,216 million yen for the current fiscal year and the number of outlets was 275.

(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., YUZURU Inc., Kiya Foods Co., Ltd., and Icchou Inc.

During the consolidated current fiscal year, our Group opened 11 new outlets, including Azusa Coffee by KR HOLDINGS CORPORATION, Tsukemen TETSU by YUNARI Co., Ltd., and AW Kitchen by eatwalk Co., Ltd., closed 10 outlets, and acquired 53 outlets through M&A.

As a result of the above, the Category posted revenue of 39,198 million yen for the current fiscal year and the number of outlets was 251.

(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. and Il Fornaio (America) LLC in the United States.

During the current fiscal year, our Group opened 6 new outlets, such as Maccha Kan in Singapore and Hongkong, etc., closed 6 outlets, and acquired 20 outlets through M&A.

As a result of the above, the Category posted revenue of 8,962 million yen for the current fiscal year and the number of outlets was 54.

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

Total assets at the end of the current fiscal year amounted to 149,997 million yen (up 107.0% from the end of the previous fiscal year). This was mainly due to increases in property, plant and equipment of 49,676 million yen resulting from the adoption of IFRS No. 16 Leases standard, goodwill of 12,631 million yen and cash and cash equivalents of 5,215 million yen.

Liabilities at the end of the current fiscal year amounted to 125,808 million yen (up 159.6% from the end of the previous fiscal year). This was mainly due to increases in lease liabilities of 50,132 million yen resulting from the adoption of IFRS No. 16 Leases standard and bonds and borrowings of 20,723 million yen.

Assets at the end of the current fiscal year amounted to 24,188 million yen (up 0.8% 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 24,818 million yen (up 196.7% from the previous fiscal year), a decrease in cash flow from investing activities of 25,646 million yen (up 424.8% from the previous fiscal year), an increase in cash flow from financing activities of 5,449 million yen (2,900 million yen was used in the previous fiscal year), and an increase in cash balance of 17,944 million yen (up 35.4% 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 24,818 million yen. This was mainly due to recording of profit before taxes 3,118 million yen and depreciation and amortization was 17,288 million yen, despite the payments for corporate income taxes of 2,164 million yen.

Cash flows from investing activities

Net cash used in investing activities was 25,646 million yen. This was mainly due to purchase of investments in subsidiaries resulting in change in scope of consolidation of 20,849 million yen and purchase of property, plant and equipment of 3,693 million yen.

Cash flows from financing activities

Net cash provided by operating activities was 5,449 million yen. This was mainly due to repayments of lease liabilities of 12,580 million yen due to the adoption of IFRS No. 16 Leases standard, repayments of long-term loans payable of 6,812 million yen and cash dividends paid of 1,120 million yen, despite net increase in short-term debt of 14,504 million yen and proceeds from long-term loans payable of 12,248 million yen.

(Reference) Trends in cash flow indicators

	FY2/20
Equity attributable to owners of the parent ratio (%)	7.8
Equity attributable to owners of the parent ratio based on market value (%)	106.4
Interest-bearing debt/cash-flow	4.1
Interest coverage ratio (time)	45.7

(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: $\text{Interest-bearing debt} / \text{Operating cash flow}$

Interest coverage ratio = $\text{operating cash-flow} / \text{interest expenses}$

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

The forecast of consolidated financial results for the next fiscal year is undetermined as it is difficult to reasonably calculate the impact of COVID-19 at this stage.

In response to the State of Emergency, we are temporarily closing many of our outlets including outlets in shopping centers that are temporarily closed or izakaya formats in downtown districts, and some outlets are shortening their business hours. In light of these factors, we have not disclosed the consolidated business forecasts. However, we will announce the forecasts as soon as it becomes possible to disclose, while paying close attention to COVID-19 situation.

Against this backdrop, our Group has been reducing expenditures through a variety of means, including reducing personnel expenses by temporarily leaving employees at outlets closed, negotiating rent reductions or exemptions, and curbing new investment, in order to minimize damage through minimizing costs. At the same time, we intend to take all possible measures to ensure funding.

Under these circumstances, our Group will work as one to respond to changes as needed to overcome this crisis and strengthen our business foundation for the future.

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 fiscal year ended February 2019 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	Previous Fiscal Year (February 28, 2019)	Current fiscal year (February 29, 2020)
Assets			
Current assets			
Cash and cash equivalents		13,248	18,463
Trade and other receivables		3,107	5,113
Other financial assets		—	0
Inventories		536	994
Other current assets		2,157	1,341
Total current assets		<u>19,050</u>	<u>25,913</u>
Non-current assets			
Property, plant and equipment		27,350	77,027
Goodwill		11,853	24,485
Intangible assets		1,686	6,825
Other financial assets		10,679	11,661
Deferred tax assets		1,837	4,047
Other non-current assets		1	36
Total non-current assets		<u>53,409</u>	<u>124,083</u>
Total assets		<u>72,459</u>	<u>149,997</u>

(Million yen)

	Note	Previous Fiscal Year (February 28, 2019)	Current fiscal year (February 29, 2020)
Liabilities and assets			
Liabilities			
Current liabilities			
Trade and other payables		4,419	5,137
Bonds and borrowings		7,441	27,706
Lease liabilities		280	12,035
Other financial liabilities		149	145
Income taxes payable		953	1,369
Provision		769	1,132
Other current liability		7,055	10,767
Total current liabilities		21,069	58,295
Non-current liabilities			
Bonds and borrowings		21,609	22,067
Lease liabilities		1,437	39,814
Obligations for retirement plan		727	762
Provision		2,897	3,875
Deferred tax liabilities		300	451
Other non-current liabilities		419	540
Total non-current liabilities		27,393	67,512
Total liabilities		48,462	125,808
Capital			
Capital stock		1,012	1,012
Capital surplus		3,071	3,153
Retained earnings		13,551	13,317
Treasury stock		-1,253	-1,252
Other components of equity		-20	59
Equity attributable to the owners of parent		16,361	16,289
Non-controlling interests		7,635	7,899
Total assets		23,996	24,188
Total liabilities and assets		72,459	149,997

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

Consolidated Statement of Income

(Million yen)

	Note	Previous Fiscal Year (March 1, 2018 - February 28, 2019)	Current fiscal year (March 1, 2019 - February 29, 2020)
Revenue		119,281	139,328
Cost of sales		-34,314	-39,424
Gross profit		84,966	99,903
Selling, general and administrative expenses		-79,116	-92,743
Other operating revenue		1,028	1,994
Other operating expenses		-2,902	-5,671
Operating profit		3,975	3,483
Financial income		10	189
Financing cost		-297	-554
Profit before taxes		3,688	3,118
Corporate income tax expenses		-1,615	-1,300
Profit for the year		2,072	1,818
Net Profit attributable to			
Owners of the parent company		1,321	1,278
Non-controlling interests		751	539
Profit of current fiscal year		2,072	1,818
Earnings per share attributable to owners of parent (yen)			
Basic earnings per share		7.03	6.85
Diluted earnings per share		6.89	6.82

Consolidated Statements of Comprehensive Profit

(Million yen)

	Note	Previous Fiscal Year (March 1, 2018 - February 28, 2019)	Current fiscal year (March 1, 2019 - February 29, 2020)
Profit for the year		2,072	1,818
Other comprehensive profit			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans		-10	4
Total		-10	4
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		3	79
Total		3	79
Total other comprehensive profit		-6	83
Comprehensive profit for the year		2,065	1,902
Comprehensive profit attributable to			
Owners of the parent company		1,316	1,365
Non-controlling interests		749	536
Comprehensive profit for the year		2,065	1,902

(3) Consolidated Statements of Changes in Equity

Previous Fiscal Year (March 1, 2018 - February 28, 2019)

(Million yen)

	Equity attributable to owners of parent										
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity			Total	Non-controlling equity	Total capital
						Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total			
Balance as of March 1, 2018		1,012	3,792	13,275	-20	-23	—	-23	18,036	6,402	24,438
Profit for the year		—	—	1,321	—	—	—	—	1,321	751	2,072
Other comprehensive income		—	—	—	—	3	-7	-4	-4	-2	-6
Comprehensive income for the year		—	—	1,321	—	3	-7	-4	1,316	749	2,065
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		—	—	—	—	—	—	—	—	-0	-0
Total transactions with owners		—	-721	-1,045	-1,232	—	7	7	-2,992	484	-2,507
Balance at February 28, 2019		1,012	3,071	13,551	-1,253	-20	—	-20	16,361	7,635	23,996

Current fiscal year (March 1, 2019 - February 29, 2020)

(Million yen)

	Equity attributable to owners of the parent company										
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity			Total	Non-controlling equity	Total capital
						Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total			
Balance at March 1, 2019		1,012	3,071	13,551	-1,253	-20	—	-20	16,361	7,635	23,996
Cumulative effects of changes in accounting policies		—	—	-386	—	—	—	—	-386	-53	-439
Balance at March 1, 2019 (After revision)		1,012	3,071	13,164	-1,253	-20	—	-20	15,974	7,582	23,557
Profit for the period		—	—	1,278	—	—	—	—	1,278	539	1,818
Other comprehensive income		—	—	—	—	79	7	87	87	-3	83
Comprehensive income for the year		—	—	1,278	—	79	7	87	1,365	536	1,902
Dividend		—	—	-1,120	—	—	—	—	-1,120	-242	-1,362
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries		—	-20	—	—	—	—	—	-20	21	1
Share-based payment transactions		—	101	—	—	—	—	—	101	—	101
Transfer from other components of equity to retained earnings		—	—	-5	—	—	-7	-7	-12	—	-12
Other		—	0	—	1	—	—	—	1	0	1
Total transactions with owners		—	81	-1,125	1	—	-7	-7	-1,050	-219	-1,270
Balance at February 29, 2020		1,012	3,153	13,317	-1,252	59	—	59	16,289	7,899	24,188

(4) Consolidated Statement of Cash Flows

(Million yen)

	Note	Previous Fiscal Year (March 1, 2018 - February 28, 2019)	Current fiscal year (March 1, 2019 - February 29, 2020)
Cash flows from operating activities			
Income before income taxes		3,688	3,118
Depreciation and amortization		4,196	17,288
Impairment loss		2,658	5,311
Interest income		-8	-7
Interest expenses		277	554
Loss (gain) on sale of noncurrent assets		-4	0
Loss on retirement of non-current assets		78	72
Changes in inventories		-0	-99
Decrease (increase) in trade and other receivables		18	-740
Increase (decrease) in trade and other payables		203	-691
Increase (decrease) in net retirement benefit liability		33	29
Increase (decrease) in allowance		74	49
Other changes		1,196	1,574
Sub-total		12,410	26,459
Interest and dividend received		8	9
Interest expenses paid		-272	-542
Income taxes paid		-3,785	-2,164
Income taxes refunded		2	1,057
Consolidated statements of cash flows		8,364	24,818
Cash flow from investing activities			
Payments into time deposits		—	-117
Proceeds from withdrawal of time deposits		—	204
Purchase of property, plant and equipment		-3,658	-3,693
Proceeds from sales of property, plant and equipment		7	8
Payments for asset retirement obligations		-130	-277
Purchase of intangible assets		-120	-105
Payments for guarantee deposits		-545	-754
Proceeds from collection of guarantee deposits		264	170
Payments for transfer of business		-448	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation		-72	-20,849
Other		-182	-232
Cash flow from investing activities		-4,886	-25,646

(Million yen)

Note	Previous Fiscal Year (March 1, 2018 - February 28, 2019)	Current fiscal year (March 1, 2019 - February 29, 2020)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	-2,000	14,504
Proceeds from long-term debt	7,931	12,248
Repayment of long-term loans payable	-5,235	-6,812
Redemption of bonds	-510	-533
Repayments of lease obligations	-402	-12,580
Purchase of treasury stock	-1,232	—
Expenditure for acquisition of treasury stock by consolidated subsidiaries	-104	-0
Cash dividends paid	-1,040	-1,120
Proceeds from share issuance to non-controlling interests	—	15
Dividends paid to non-controlling interests	-241	-242
Payment for acquisition of subsidiaries' equity from non-controlling interests	—	-13
Other	-64	-16
Cash flow from financing activities	<u>-2,900</u>	<u>5,449</u>
Effect of exchange rate change on cash and cash equivalents	5	74
Net increase (decrease) in cash and cash equivalents	<u>582</u>	<u>4,696</u>
Balance of cash and cash equivalents at beginning of period	<u>12,665</u>	<u>13,248</u>
Cash and cash equivalents	<u>13,248</u>	<u>17,944</u>

(5) Notes on the 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 third 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 Consolidated Statement of Cash Flows for the previous consolidated fiscal year, is restated as "repayments of lease liabilities" from the first quarter of the current fiscal year.

Other than the above, the adoption of the above standard has no material impact on the 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.

	(Million yen)	
	Previous Fiscal Year (March 1, 2018 - February 28, 2019)	Current fiscal year (March 1, 2019 - February 28, 2019)
Profit attributable to owners of the parent	1,321	1,278
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries	-25	-4
Profit for the year used to compute diluted earnings per share	1,295	1,274
Weighted average number of shares of common shares outstanding (shares)	188,071,884	186,779,748
Weighted average number of common diluted shares outstanding (shares)	188,071,884	186,779,748
Basic earnings per share (yen)	7.03	6.85
Diluted earnings per share (yen)	6.89	6.82

(Note) 1. "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 (current fiscal year: 1,998,984 shares)

2. The Company conducted a 2-for-1 stock split on March 1, 2020. Therefore, "Basic earnings per share" and "Diluted earnings per share" have been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

(Significant subsequent events)

(Stock split)

At the Board of Directors meeting held on January 14, 2020, the Company resolved to implement a stock split, and make a partial change to the articles of incorporation.

1. Purpose of the stock split

In order to increase the liquidity of the company stock and expand its investor base by reducing the trading unit and creating an environment that makes it easier to invest.

2. Outline of the stock split

(1) Outline of the stock split

For each ordinary share registered as belonging to shareholders on the final shareholder register as of Saturday, February 29, 2020 (the actual record date is Friday, February 28, 2020, but the day is a holiday for the registrar of stockholders), the Company conducted a 2-for-1 stock split.

(2) Increase in number of shares resulting from stock split

Total number of shares outstanding before stock split: 94,722,642 shares

Increase in number of shares resulting from stock split: 94,722,642 shares

Total number of shares outstanding after stock split: 189,445,284 shares

Total number of authorized shares after stock split: 381,600,000 shares

(3) Schedule of the stock split

Date of public notice of the record date: Wednesday, February 12, 2020

Record date: Saturday, February 29, 2020 (Note)

Effective issuance date: Sunday, March 1, 2020

(Note) As the day is a holiday for the shareholder register administrator, the actual record date is Friday, February 28, 2020.

(4) Effect on per-stock information

The impact on per share information is stated in the relevant section.

(Borrowing of Funds)

In view of the impact of the recent COVID-19 infectious on our business, we borrowed funds with the aim of maintaining sufficient liquidity to stabilize Group management.

(1) Fund use

Working capital

(2) Borrower

Mizuho Bank, Ltd. and other financial institutions

(3) Amount borrowed

11,490 million yen

(4) Borrowing date

From March 31, 2020 to April 10, 2020

(5) Borrowing period

Mainly within one year

(6) Details of assets or guarantees pledged as collateral

None

(Impact of spread of COVID-19 infections)

Due to the spread of COVID-19, some outlets have shortened operating hours or temporarily closed since March 27, 2020.

Furthermore, in response to the State of Emergency stated on April 7, 2020, we have been closing many outlets, primarily outlets located in commercial facilities and izakaya outlets in the subject area from April 8, 2020.

These measures are expected to have a significant impact on our financial position and results of operations.

It is currently difficult to calculate the impact in a reasonable manner at this time.