

Summary of Business Results for the Third Quarter Ended November 30, 2019 [IFRS] (Consolidated)

January 14, 2020

Company **create restaurants holdings inc.** Listed on the TSE
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 Expected date of filing of quarterly report: January 14, 2020 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended November 2019

(March 1, 2019 through November 30, 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	%
Nine months ended Nov. 2019	99,481	12.8	4,826	45.9	4,613	48.8	2,934	50.6	2,492	81.9	3,048	51.8
Nine months ended Nov. 2018	88,193	-	3,308	-	3,101	-	1,949	-	1,369	-	2,008	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Nov. 2019	26.69	26.68
Nine months ended Nov. 2018	14.54	14.53

(Reference) Adjusted EBITDA: Nine months ended Nov. 2019: 18,331 million yen (138.6%)

Nine months ended Nov. 2018: 7,683 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 Nov. 2019	154,231	25,325	17,519	11.4
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: None

(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): Yes

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

- (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 November 2019	94,722,642 shares
As of February 2019	94,722,642 shares

- ②Treasury stock at the end of period

As of November 2019	1,332,475 shares
As of February 2019	1,333,275 shares

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

Nine months ended November 2019	93,389,761 shares
Nine months ended November 2018	94,247,548 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.

○ Table of Contents of the Appendix

1. Qualitative Information on Results for the Current Quarter.....	2
(1) Qualitative information on the consolidated financial results.....	2
(2) Qualitative information on consolidated financial position.....	2
(3) Qualitative information on the consolidated business forecasts.....	3
2. Condensed Quarterly Consolidated Financial Statements and Major Notes	4
(1) Condensed Quarterly Consolidated Statements of Financial Position.....	4
(2) Condensed Quarterly Consolidated Statements of Income and Statements of Comprehensive Income.....	6
(3) Condensed Quarterly Consolidated Statements of Changes in Equity.....	10
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	11
(5) Notes on the Condensed Quarterly Consolidated Financial Statements.....	13

1. Qualitative Information on Results for the Current Quarter

(1) Qualitative information on the consolidated financial results

In the third 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, 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 and the introduction of a reduced tax rate in line with the consumption tax hike in October 2019.

In such environment, the Group systematically opened specialty restaurants in commercial facilities, downtown districts, station fronts, opening 34 new outlets and closing 33 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 the group through consolidated subsidiary SFP Holdings Co., Ltd., 124 outlets of Create Sports & Leisure Co., Ltd. a, 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 third quarter was 1,164.

As a result, in the third quarter of the current fiscal year, revenue was 99,481 million yen (up 12.8% year on year), operating profit was 4,826 million yen (up 45.9% year on year), profit before taxes was 4,613 million yen (up 48.8% year on year), profit for the period was 2,934 million yen (up 50.6% year on year), and profit attributable to owners of parent was 2,492 million yen (up 81.9% year on year). Adjusted EBITDA increased to 18,331 million (up by 138.6% year on year) and its margin was 18.4% (8.7% 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 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

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and shareholders' equity

(Assets)

Current assets at the end of the third quarter of the current fiscal year were 27,120 million yen, increased by 8,070 million yen from the end of the previous fiscal year. This was mainly due to an increase of 5,028 million yen in cash and deposits.

Non-current assets at the end of the third quarter of the current fiscal year were 127,111 million yen, increased by 73,701 million yen from the end of the previous fiscal year. This was mainly due to an increase in property, plant and equipment of 52,854 million yen resulting from the adoption of IFRS No. 16 Leases standard.

(Liabilities)

The balance of liabilities at the end of the third quarter of the current fiscal year was 128,906 million yen, increased by 80,443 million yen from the end of the previous fiscal year. This was mainly due to an increase in lease liabilities of 50,667 million yen resulting from the adoption of IFRS No. 16 Leases standard.

(Assets)

The balance of shareholders' equity at the end of the third quarter of the current fiscal year was 25,325 million yen, increased by 1,328 million yen from the end of the previous fiscal year. This was mainly due to an increase of 973 million yen in retained earnings.

(2) Consolidated results of cash flows

Cash and cash equivalents (hereinafter “Net cash”) at the end of the third quarter of the current fiscal year was 18,277 million yen, increased by 5,028 million yen from the end of the previous fiscal year.

The status of each cash flow in the third 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 third quarter of the current fiscal year was 17,645 million yen (up 265.0% year on year). This was mainly due to the recording of 4,613 million yen in Profit before taxes and 12,352 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 third quarter of the current fiscal year was 23,578 million yen (up 628.0% year on year). This was mainly due to purchase of investments in subsidiaries resulting in change in scope of consolidation of 20,243 million yen and purchase of property, plant and equipment of 2,569 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities was 10,882 million yen (3,094 million yen was used in the same period of the previous fiscal year). This was mainly due to repayments of lease liabilities of 9,206 million yen due to the adoption of IFRS No. 16 Leases standard, repayments of long-term loans payable of 4,798 million yen and cash dividends paid of 1,123 million yen, despite net increase in short-term debt of 14,404 million yen and proceeds from long-term loans payable of 12,128 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 continue to 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.

The full-year consolidated business forecasts for the fiscal year ending February 2020, which was announced on October 11, 2019, remain unchanged.

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 Third Quarter (November 30, 2019)
Assets			
Current assets			
Cash and cash equivalents		13,248	18,277
Trade and other receivables		3,107	6,495
Other financial assets		-	0
Inventories		536	972
Other current assets		2,157	1,373
Total current assets		<u>19,050</u>	<u>27,120</u>
Non-current assets			
Property, plant and equipment		27,350	80,205
Goodwill		11,853	25,022
Intangible assets		1,686	6,775
Other financial assets		10,679	11,640
Deferred tax assets		1,837	3,453
Other non-current assets		1	13
Total non-current assets		<u>53,409</u>	<u>127,111</u>
Total assets		<u>72,459</u>	<u>154,231</u>

(Million yen)

	Note	Previous Fiscal Year (February 28, 2019)	Current Third Quarter (November 30, 2019)
Liabilities and assets			
Liabilities			
Current liabilities			
Trade and other payables		4,419	6,517
Bonds and borrowings		7,441	28,064
Lease liabilities		280	13,816
Other financial liabilities		149	116
Income taxes payable		953	1,178
Provision		769	875
Other current liability		7,055	10,807
Total current liabilities		21,069	61,376
Non-current liability			
Bonds and borrowings		21,609	23,757
Lease liabilities		1,437	38,569
Obligations for retirement pay		727	731
Provision		2,897	3,485
Deferred tax liabilities		300	432
Other non-current liabilities		419	553
Total non-current liabilities		27,393	67,529
Total liabilities		48,462	128,906
Capital			
Capital stock		1,012	1,012
Capital surplus		3,071	3,141
Retained earnings		13,551	14,524
Treasury stock		-1,253	-1,252
Other components of equity		-20	93
Equity attributable to the owners of parent		16,361	17,519
Non-controlling interests		7,635	7,805
Total assets		23,996	25,325
Total liabilities and shareholders' equity		72,459	154,231

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

Condensed Quarterly Consolidated Statements of Income

Consolidated Cumulative Third Quarter

(Million yen)

	Note	Previous Third Quarter (March 1, 2018 to November 30, 2018)	Current Third Quarter (March 1, 2019 to November 30, 2019)
Revenue		88,193	99,481
Cost of sales		-25,503	-28,372
Gross profit		62,689	71,108
Selling, general and administrative expenses		-58,668	-65,730
Other operating revenue		727	1,420
Other operating expenses		-1,440	-1,973
Operating profit		3,308	4,826
Financial income		7	145
Financing cost		-214	-357
Profit before taxes		3,101	4,613
Corporate income tax expense		-1,152	-1,679
Profit for the period		1,949	2,934
Net income attributable to			
Owners of parent		1,369	2,492
Non-controlling interests		579	441
Profit for the period		1,949	2,934
Profit per share attributable to owners of parent (yen)			
Basic profit per share		14.54	26.69
Diluted earnings per share		14.53	26.68

Current Third Quarter

(Million yen)

	Note	Previous Third Quarter (September 1, 2018 to November 30, 2018)	Current Third Quarter (September 1, 2019 to November 30, 2019)
Revenue		28,262	35,956
Cost of sales		-8,225	-10,281
Gross profit		20,036	25,674
Selling, general and administrative expenses		-19,479	-24,835
Other operating revenue		227	375
Other operating expenses		-439	-684
Operating profit		344	530
Financial income		10	11
Financing cost		-75	-231
Profit before taxes		280	310
Corporate income tax expense		-124	-149
Profit for the period		155	161
Net income attributable to			
Owners of parent		-23	91
Non-controlling interests		179	69
Profit for the period		155	161
Profit per share attributable to owners of parent (yen)			
Basic profit per share		-0.25	0.98
Diluted earnings per share		-0.25	0.98

Consolidated Statements of Comprehensive Income
Consolidated Cumulative Third Quarter

(Million yen)

	Note	Previous Third Quarter (March 1, 2018 to November 30, 2018)	Current Third Quarter (March 1, 2019 to November 30, 2019)
Profit for the period		1,949	2,934
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		58	114
Total		58	114
Total other comprehensive income		58	114
Comprehensive income		2,008	3,048
Comprehensive income attributable to			
Owners of parent		1,428	2,606
Non-controlling interests		579	441
Comprehensive income		2,008	3,048

Current Third Quarter

(Million yen)

	Note	Previous Third Quarter (September 1, 2018 to November 30, 2018)	Current Third Quarter (September 1, 2019 to November 30, 2019)
Profit for the period		155	161
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		39	195
Total		39	195
Total other comprehensive income		39	195
Comprehensive income		194	356
Comprehensive income attributable to			
Owners of parent		15	287
Non-controlling interests		179	69
Comprehensive income		194	356

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Previous Third Quarter (March 1, 2018 to November 30, 2018)

(Unit: Million yen)

Note	Equity attributable to owners of parent						Total	Total	Non-controlling equity	Total capital
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					
					Foreign currency translation adjustments	Total				
Balance at March 1, 2018	1,012	3,792	13,275	-20	-23	-23	18,036	6,402	24,438	
Profit for the period	-	-	1,369	-	-	-	1,369	579	1,949	
Other comprehensive income	-	-	-	-	58	58	58	-	58	
Comprehensive income	-	-	1,369	-	58	58	1,428	579	2,008	
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	-	45	-	-	-	-	45	-	45	
Other	-	-	-	-	-	-	-	-0	-0	
Total transactions with owners	-	-785	-1,038	-1,232	-	-	-3,056	484	-2,572	
Balance at November 30, 2018	1,012	3,007	13,607	-1,253	35	35	16,409	7,465	23,874	

Current Third Quarter (March 1, 2019 to November 30, 2019)

(Unit: Million yen)

Note	Equity attributable to owners of parent						Total	Total	Non-controlling equity	Total capital
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					
					Foreign currency translation adjustments	Total				
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	-	-	2,492	-	-	-	2,492	441	2,934	
Other comprehensive income	-	-	-	-	114	114	114	-	114	
Comprehensive income	-	-	2,492	-	114	114	2,606	441	3,048	
Dividend	-	-	-1,132	-	-	-	-1,132	-242	-1,374	
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries	-	-21	-	-	-	-	-21	23	1	
Share-based payment transactions	-	91	-	-	-	-	91	-	91	
Other	-	-	-	0	-	-	0	0	1	
Total transactions with owners	-	69	-1,132	0	-	-	-1,061	-218	-1,280	
Balance at November 30, 2019	1,012	3,141	14,524	-1,252	93	93	17,519	7,805	25,325	

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Note	Previous Third Quarter (March 1, 2018 to November 30, 2018)	Current Third Quarter (March 1, 2019 to November 30, 2019)
Consolidated statements of cash flows			
Profit before taxes		3,101	4,613
Depreciation and amortization		3,118	12,352
Impairment loss		1,246	1,696
Interest income		-6	-6
Interest expense		212	350
Loss (gain) on sale of non-current assets		-6	-0
Loss on retirement of fixed assets		66	64
Changes in inventories		-60	-77
Decrease (increase) in trade and other receivables		-739	-2,127
Increase (decrease) in trade and other payables		412	605
Increase (decrease) in net retirement benefit liability		12	1
Increase (decrease) in allowance		-146	-141
Other changes		1,643	1,700
Sub-total		8,854	19,030
Interest and dividend received		6	10
Interest expenses paid		-201	-344
Income taxes paid		-3,828	-2,108
Income taxes refunded		3	1,057
Cash flows from operating activities		4,834	17,645
Cash flow from investing activities			
Purchase of property, plant and equipment		-2,600	-2,569
Proceeds from sales of property, plant and equipment		6	20
Payments for asset retirement obligations		-96	-158
Purchase of property, plant intangible		-102	-63
Payments for guarantee deposits		-478	-526
Proceeds from collection of guarantee deposits		199	109
Purchase of investments in subsidiaries resulting in change in scope of consolidation		-14	-20,243
Other		-150	-146
Cash flow from investing activities		-3,238	-23,578

(Million yen)

	Note	Previous Third Quarter (March 1, 2018 to November 30, 2018)	Current Third Quarter (March 1, 2019 to November 30, 2019)
Cash flow from financing activities			
Net increase (decrease) in short-term borrowings		-3,006	14,404
Proceeds from long-term debt		6,931	12,128
Repayment of long-term loans payable		-3,800	-4,798
Redemption of bonds		-255	-278
Purchase of treasury stock		-1,232	-
Repayments of lease liabilities		-300	-9,206
Expenditure for acquisition of treasury stock by consolidated subsidiaries		-104	-0
Cash dividends paid		-1,033	-1,123
Proceeds from share issuance to non-controlling interests		-	15
Dividends paid to non-controlling interests		-235	-237
Payment for acquisition of subsidiaries' equity from non-controlling interests		-	-13
Other		-57	-8
Cash flow from financing activities		-3,094	10,882
Effect of exchange rate change on cash and cash equivalents		50	79
Net increase (decrease) in cash and cash equivalents		-1,449	5,028
Balance of cash and cash equivalents at beginning of period		12,665	13,248
Balance of cash and cash equivalents at period-end		11,216	18,277

(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 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 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 Third Quarter (March 1, 2018 to November 30, 2018)	Current Third Quarter (March 1, 2019 to November 30, 2019)
Profit attributable to owners of parent	1,369	2,492
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries	-0	-1
Profit for the period used to compute diluted earnings per share	1,369	2,491
Weighted average number of shares of common shares outstanding (shares)	94,247,548	93,389,761
Weighted average number of common diluted shares outstanding (shares)	94,247,548	93,389,761
Basic profit per share (yen)	14.54	26.69
Diluted profit per share (yen)	14.53	26.68

(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 third quarter: 999,605 shares)

(Unit: Million yen)

	Current Third Quarter (September 1, 2018 to November 30, 2018)	Current Third Quarter (September 1, 2019 to November 30, 2019)
Profit attributable to owners of parent	-23	91
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries	-0	-0
Profit for the period used to compute diluted earnings per share	-23	91
Weighted average number of shares of common shares outstanding (shares)	93,960,795	93,390,077
Weighted average number of common diluted shares outstanding (shares)	93,960,795	93,390,077
Basic profit per share (yen)	-0.25	0.98
Diluted profit per share (yen)	-0.25	0.98

(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 third quarter: 999,289 shares)

(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), the Company will conduct 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

Per-stock information assuming the stock split had taken place at the beginning of the previous fiscal year is as follows:

	Previous Third Quarter (March 1, 2018 to November 30, 2018)	Current Third Quarter (March 1, 2019 to November 30, 2019)
Basic profit per share (yen)	7.27	13.35
Diluted profit per share (yen)	7.26	13.34

(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 third quarter: 1,999,210 shares)

3. Partial change to the Articles of Incorporation in connection with the stock split

(1) Reason for change

In accordance with the stipulations of Article 184, Paragraph 2 of the Company Act, the Company will change Article 6 (Total Number of Authorized Shares) of the Articles of Incorporation on March 1, 2020 in connection with the stock split.

(2) Outline of change

(the change is underlined)

Existing articles of incorporation	After change
(Total number of authorized shares) Article 6 The total number of authorized shares in this company is <u>190,800,000</u> shares.	(Total number of authorized shares) Article 6 The total number of authorized shares in this company is <u>381,600,000</u> shares.

(3) Schedule of the partial change to the Articles of Incorporation

Effective date Sunday, March 1, 2020