

# Summary of Financial Results for the First Quarter Ended May 31, 2019 [IFRS] (Consolidated)

July 12, 2019

Company **create restaurants holdings inc.** Listed on the TSE  
 Stock Code 3387 URL: <http://www.createrestaurants.com>  
 Representative Haruhiko Okamoto, President  
 Contact Genta Ouchi, Executive Officer, CFO, General Manager of Administration Dept. T E L: +81-3-5488-8001  
 Expected date of filing of quarterly report: July 12, 2019 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 three months ended May 2019 (March 1, 2019 through May 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	%
Three months ended May 2019	31,950	6.0	2,824	61.7	2,798	65.9	1,783	67.3	1,539	79.7	1,749	63.8
Three months ended May 2018	30,133	—	1,746	—	1,686	—	1,065	—	856	—	1,068	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 2019	16.49	16.48
Three months ended May 2018	9.08	9.07

(Reference) Adjusted EBITDA: Three months ended May 2019: 6,460 million yen (100.4%)  
 Three months ended May 2018: 3,224 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. Please refer to page 2 "1. Qualitative Information on Results for the Current Quarter (1) Qualitative information on the consolidated financial results" of the attached document.

## (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	Million yen	%
As of May 2019	121,656	24,643	16,944	13.9
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	-				
Year ending Feb 2020 (forecast)		6.00	-	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 year		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Feb 2020	130,000	9.0	6,700	68.5	6,300	70.8	4,000	93.0	3,300	149.8	35.34

(Note) Revisions to business forecast for the current quarter: Yes

(Reference) Adjusted EBITDA: Year ending February 2020 (Forecast): 22,700 million yen (109.9%)

**\*Notes**

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

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

① Changes in accounting policies required under IFRS: : 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 May 2019 94,722,642 shares

As of February 2019 94,722,642 shares

② Treasury stock at the end of period

As of May 2019 1,333,075 shares

As of February 2019 1,333,275 shares

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

Three months ended May 2019 93,389,443 shares

Three months ended May 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.

○ 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 Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	6
(3) Condensed Quarterly Consolidated Statements of Changes in Equity.....	8
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	9
(5) Notes on the Condensed Quarterly Consolidated Financial Statements.....	11
(Notes on going concern assumptions) .....	11
(Changes in accounting policies) .....	11
(Segment information) .....	12
(Per-stock information) .....	12
(Significant subsequent events) .....	12

## 1. Qualitative Information on Results for the Current Quarter

From the first quarter of the current fiscal year, the Company has adopted the IFRS No.16 Leases standard. For more details, please refer to the “(5) Notes on the Condensed Quarterly Consolidated Financial Statements” in the “2. Condensed Quarterly Consolidated Financial Statements and Major Notes”

### (1) Qualitative information on the consolidated financial results

In the first 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 8 new outlets and closing 5 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. In the first quarter of the current fiscal year, 7 outlets of Kiya Foods Co., Ltd. and 19 outlets of Joh Smile Corporation 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 first quarter was 951.

As a result, in the first quarter of the current fiscal year, revenue was 31,950 million yen (up 6.0% year on year), operating profit was 2,824 million yen (up 61.7% year on year), profit before taxes was 2,798 million yen (up 65.9% year on year), profit for the period was 1,783 million yen (up 67.3% year on year), and profit attributable to owners of parent was 1,539 million yen (up 79.7% year on year). Adjusted EBITDA increased to 6,460 million (up by 100.4% year on 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 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.)

### (2) Qualitative information on consolidated financial position

#### (1) Assets, liabilities and shareholders' equity

##### (Assets)

Current assets at the end of the first quarter of the current fiscal year were 22,661 million yen, increased by 3,611 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,921 million yen in cash and deposits.

Non-current assets at the end of the first quarter of the current fiscal year were 98,995 million yen, increased by 45,585 million yen from the end of the previous fiscal year. This was mainly due to an increase in property, plant and equipment of 43,174 million yen resulting from the adoption of IFRS No. 16 Leases standard.

##### (Liabilities)

The balance of liabilities at the end of the first quarter of the current fiscal year was 97,013 million yen, increased by 48,550 million yen from the end of the previous fiscal year. This was mainly due to an increase in lease liabilities of 44,040 million yen resulting from the adoption of IFRS No. 16 Leases standard.

##### (Shareholders' equity)

The balance of shareholders' equity at the end of the first quarter of the current fiscal year was 24,643 million yen, increased by 646 million yen from the end of the previous fiscal year. This was mainly due to an increase of 593 million yen in retained earnings.

## (2) Consolidated results of cash flows

Cash and cash equivalents (hereinafter "Net cash") at the end of the first quarter of the current fiscal year was 16,170 million yen, increased by 2,921 million yen from the end of the previous fiscal year.

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

### (Cash flows from operating activities)

Net cash provided by operating activities was 5,143 million yen (up 358.2% year on year). This was mainly due to the recording of 2,798 million yen in Profit before taxes and 3,716 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 was 2,253 million yen (up 118.8% year on year). This was mainly due to purchase of investments in subsidiaries resulting in change in scope of consolidation of 1,488 million yen and purchase of property, plant and equipment of 630 million yen.

### (Cash flow from financing activities)

Net cash provided by financing activities was 62 million yen (down 91.0% year on year). This was mainly due to repayments of lease liabilities of 2,713 million yen due to the adoption of IFRS No. 16 Leases standard, repayments of long-term loans payable of 1,685 million yen and cash dividends paid of 552 million yen, despite proceeds from long-term loans payable of 5,333 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 April 12, 2019, have been revised. For details, please refer to the "Notice of Revisions to Business Forecasts" announced on July 12, 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 First Quarter (May 31, 2019)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		13,248	16,170
Trade and other receivables		3,107	3,656
Other financial assets		-	17
Inventories		536	588
Other current assets		2,157	2,228
<b>Total current assets</b>		<b>19,050</b>	<b>22,661</b>
<b>Non-current assets</b>			
Property, plant and equipment		27,350	70,525
Goodwill		11,853	13,647
Intangible assets		1,686	1,657
Other financial assets		10,679	10,947
Deferred tax assets		1,837	2,212
Other non-current assets		1	4
<b>Total non-current assets</b>		<b>53,409</b>	<b>98,995</b>
<b>Total assets</b>		<b>72,459</b>	<b>121,656</b>

(Million yen)

	Note	Previous fiscal year (February 28, 2019)	Current First Quarter (May 31, 2019)
<b>Liabilities and assets</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		4,419	5,094
Bonds and borrowings		7,441	7,408
Lease liabilities		280	11,158
Other financial liabilities		149	142
Income taxes payable		953	924
Provision		769	689
Other current liability		7,055	7,016
<b>Total current liabilities</b>		<b>21,069</b>	<b>32,434</b>
<b>Non-current liability</b>			
Bonds and borrowings		21,609	25,545
Lease liabilities		1,437	34,600
Obligations for retirement plan		727	731
Provision		2,897	2,936
Deferred tax liabilities		300	222
Other non-current liabilities		419	541
<b>Total non-current liabilities</b>		<b>27,393</b>	<b>64,578</b>
<b>Total liabilities</b>		<b>48,462</b>	<b>97,013</b>
<b>Capital</b>			
Capital stock		1,012	1,012
Capital surplus		3,071	3,095
Retained earnings		13,551	14,144
Treasury stock		-1,253	-1,253
Other components of equity		-20	-53
<b>Equity attributable to the owners of parent</b>		<b>16,361</b>	<b>16,944</b>
Non-controlling interests		7,635	7,698
<b>Total assets</b>		<b>23,996</b>	<b>24,643</b>
<b>Total liabilities, shareholders' equity</b>		<b>72,459</b>	<b>121,656</b>

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

Condensed Quarterly Consolidated Statements of Income

Consolidated Cumulative First Quarter

(Million yen)

	Note	Previous First Quarter (March 1, 2018 to May 31, 2018)	Current First Quarter (March 1, 2019 to May 31, 2019)
Revenue		30,133	31,950
Cost of sales		8,700	9,092
Gross profit		21,432	22,858
Selling, general and administrative expenses		-19,398	-20,288
Other operating revenue		253	684
Other operating expenses		-540	-429
Operating profit		1,746	2,824
Financial income		29	91
Financing cost		-89	-117
Profit before taxes		1,686	2,798
Corporate income tax expenses		621	1,015
Profit for the period		1,065	1,783
Net income attributable to			
Owners of parent		856	1,539
Non-controlling interests		209	243
Profit for the period		1,065	1,783
Profit per share attributable to owners of parent (yen)			
Basic profit per share		9.08	16.49
Diluted earnings per share		9.07	16.48



Consolidated Statements of Comprehensive Income  
 Consolidated Cumulative First Quarter

(Million yen)

	Note	Previous First Quarter (March 1, 2018 to May 31, 2018)	Current First Quarter (March 1, 2019 to May 31, 2019)
Profit for the period		1,065	1,783
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		2	-33
Total		2	-33
Total other comprehensive income		2	-33
Comprehensive income		1,068	1,749
Comprehensive income attributable to			
Owners of parent		858	1,506
Non-controlling interests		209	243
Comprehensive income		1,068	1,749

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

Previous First Quarter (March 1, 2018 to May 31, 2018)

(Million yen)

	Note	Equity attributable to owners of parent					Other components of equity		Non-controlling equity	Total capital
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total			
							Total	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		-	-	856	-	-	-	856	209	1,065
Other comprehensive income		-	-	-	-	2	2	2	-	2
Comprehensive income		-	-	856	-	2	2	858	209	1,068
Dividend		-	-	-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	605	-697
Balance at May 1, 2018		1,012	2,962	13,660	-20	-21	-21	17,592	7,216	24,809

Current First Quarter (March 1, 2019 to May 31, 2019)

(Million yen)

	Note	Equity attributable to owners of parent					Other components of equity		Non-controlling equity	Total capital
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total			
							Total	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		-	-	1,539	-	-	-	1,539	243	1,783
Other comprehensive income		-	-	-	-	-33	-33	-33	-	-33
Comprehensive income		-	-	1,539	-	-33	-33	1,506	243	1,749
Dividend		-	-	-560	-	-	-	-560	-120	-681
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries		-	-6	-	-	-	-	-6	-6	-13
Share-based payment transactions		-	30	-	-	-	-	30	-	30
Other		-	0	-	0	-	-	0	-	0
Total transactions with owners		-	23	-560	0	-	-	-536	-126	-663
Balance at May 31, 2019		1,012	3,095	14,144	-1,253	-53	-53	16,944	7,698	24,643

## (4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Note	Previous First Quarter (March 1, 2018 to May 31, 2018)	Current First Quarter (March 1, 2019 to May 31, 2019)
Cash flows from operating activities			
Profit before taxes		1,686	2,798
Depreciation and amortization		1,034	3,716
Impairment loss		461	341
Interest income		-2	-2
Interest expense		71	105
Loss (gain) on sale of non-current assets		-0	-1
Loss on retirement of fixed assets		42	23
Changes in inventories		-3	-44
Increase (decrease) in trade and other receivables		-593	-520
Increase (decrease) in trade and other payables		337	425
Increase (decrease) in net retirement benefit liability		-7	1
Increase (decrease) in allowance		-136	-146
Other changes		1,145	-331
Sub-total		4,035	6,366
Interest and dividend received		1	2
Interest expenses paid		-62	-96
Income taxes paid		-2,851	-1,146
Income taxes refunded		0	17
Cash flows from operating activities		1,122	5,143
Cash flow from investing activities			
Purchase of property, plant and equipment		-838	-630
Proceeds from sales of property, plant and equipment		0	1
Payments for asset retirement obligations		-31	-11
Purchase of property, plant intangible		-12	-12
Payments for guarantee deposits		-194	-115
Proceeds from collection of guarantee deposits		125	39
Purchase of shares of subsidiaries		-	-13
Purchase of investments in subsidiaries resulting in change in scope of consolidation		-14	-1,488
Other		-63	-24
Cash flow from investing activities		-1,029	-2,253

(Million yen)

	Note	Previous First Quarter (March 1, 2018 to May 31, 2018)	Current First Quarter (March 1, 2019 to May 31, 2019)
Cash flow from financing activities			
Net increase (decrease) in short-term borrowings		-3,001	-193
Proceeds from long-term debt		5,700	5,333
Repayment of long-term loans payable		-1,212	-1,685
Redemption of bonds		-	-10
Repayments of lease liabilities		-102	-2,713
Expenditure for acquisition of treasury stock by consolidated subsidiaries		-104	-
Cash dividends paid		-448	-552
Dividends paid to non-controlling interests		-110	-110
Other		-22	-4
Cash flow from financing activities		697	62
Effect of exchange rate change on cash and cash equivalents		2	-30
Net increase (decrease) in cash and cash equivalents		792	2,921
Balance of cash and cash equivalents at beginning of period		12,665	13,248
Balance of cash and cash equivalents at period-end		13,458	16,170

## (5) Notes on the Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(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 first 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 (28 February 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.

In addition, "repayments of lease obligations," which was presented separately as cash flow from financing activities in the consolidated statement of cash flows in the previous 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.

	(Million yen)	
	Previous First Quarter (March 1, 2018 to May 31, 2018)	Current First Quarter (March 1, 2019 to May 31, 2019)
Profit attributable to owners of parent	856	1,539
Adjustments to net income		
Adjustments for dilutive shares issued by subsidiaries	-0	-0
Profit for the year used to compute diluted earnings per share	855	1,538
Weighted average number of shares of common shares outstanding (shares)	94,389,367	93,389,443
Weighted average number of common diluted shares outstanding (shares)	94,389,367	93,389,443
Basic profit per share (yen)	9.08	16.49
Diluted profit per share (yen)	9.07	16.48

(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. (Cumulative first quarter: 999,923 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, <input type="checkbox"/> 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 (planned)

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name following business combination

The Company plans to change its 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.