Consolidated Financial Report
For the Three-month Period Ended March 31, 2019 (IFRS)

May 15, 2019

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: https://www.skylark.co.jp
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
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Quarterly statement filing date (as planned)	May 15, 2019	
Dividend payable date (as planned)	―	
Supplemental material of quarterly results	Yes	
Convening briefing of quarterly results	No	

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-month Period Ended March 31, 2019

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three-month period ended March 31, 2019	93,882	4.2	5,495	(1.2)	4,176	(6.2)	2,708	(3.5)	2,708	(3.5)	2,607	29.6
Three-month period ended March 31, 2018	90,105	2.2	5,562	(11.3)	4,454	(12.8)	2,804	(15.5)	2,804	(15.5)	2,011	(42.2)

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Three-month period ended March 31, 2019	13.74	13.72
Three-month period ended March 31, 2018	14.24	14.21

(Reference)

EBITDA	Three-month period ended March 31, 2019	17,940 million yen	(99.4%)	Three-month period ended March 31, 2018	8,998 million yen	(-6.5%)
Adjusted EBITDA	Three-month period ended March 31, 2019	18,640 million yen	(92.7%)	Three-month period ended March 31, 2018	9,671 million yen	(-4.7%)
Adjusted net income	Three-month period ended March 31, 2019	2,986 million yen	(-3.8%)	Three-month period ended March 31, 2018	3,104 million yen	(-16.8%)

(Note) The Company uses EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of our operations. Refer to "* Notes for using forecasted information and other matters (3) ~ (5)" below for details.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of March 31, 2019	435,532	127,239	127,239	29.2
As of December 31, 2018	330,671	130,453	130,453	39.5

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2018	—	16.00	—	22.00	38.00
Fiscal year ending December 31, 2019	—				
Fiscal year ending December 31, 2019 (Forecasted)		9.00	—	10.00	19.00

(Note) Revision of dividend forecast: None

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2019 (January 1, 2019 - December 31, 2019)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2019	370,000	1.0	22,000	(3.8)	18,000	(3.2)	11,000	(3.8)	55.81

(Note) Revision of forecasts on the results of operations: None

(Reference)

Adjusted EBITDA	Fiscal year ending December 31, 2019 (Forecasted)	39,000 million yen	(-0.7%)
Adjusted net income	Fiscal year ending December 31, 2019 (Forecasted)	12,500 million yen	(-2.5%)

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No
Number of subsidiaries newly consolidated: -
Number of subsidiaries excluded from consolidation: -

(2) Changes in accounting policies and accounting estimates
(i) Changes in accounting policies required by IFRSs: Yes
(ii) Changes in accounting policies other than those in (i): No
(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of March 31, 2019	197,083,700	As of December 31, 2018	197,083,700
(ii) Number of treasury stock	As of March 31, 2019	－	As of December 31, 2018	－
(iii) Average number of issued shares during the period	Three months ended March 31, 2019	197,083,700	Three months ended March 31, 2018	197,006,166

* The quarterly financial report is not subject to quarterly review procedures by independent auditors.

* Notes for using forecasted information and other matters

(1) The Group has adopted International Financial Reporting Standards (IFRSs).

(2) The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties. Refer to page 5 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2019 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing them.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2019 (1) Explanation of the Consolidated Operating Results" for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that the Group believes are useful for investors to assess the operating results of our business. These measures exclude the effect of items which we consider not to be indicative of the results of our normal operations or comparable to our competitors' operating results, such as non-cash or cost items not expected to recur following the listing, including the advisory fees in accordance with the BCPL management agreement, IPO and public offering-related expenses, loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions, amount associated with the change in accounting estimates due to qualified listing, and gain and loss from modification of financial liabilities in accordance with the adoption of International Financial Reporting Standard (IFRS) 9 "Financial Instruments" (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies). (The BCPL management agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(5) Our definition of EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their usefulness.

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2019

IFRS16 “Leases” has been adopted since the three-month period ended March 31, 2019. The details are described in (7) Notes to Condensed Interim Consolidated Financial Statements in 2. Condensed Interim Consolidated Financial Statements and Notes.

(1) Explanation of the Consolidated Operating Results

The Company has promoted the creation of restaurants rooted in local communities. Our corporate philosophy is “creating richness with value to society.” We will achieve our mission of “offering great-tasting food at affordable prices with good service in our clean restaurants to as many people as possible” by striving to create enjoyable stores that will enrich the life of our customers.

Under the current tough market conditions, we will continuously implement initiatives with “investment in stores and employees” as our top priority in order to meet customer expectations in 2019.

In order to respond to our customers' diverse lifestyles and region specific customer needs through our brand portfolio and to provide the best store experience, we have opened 26 new stores, converted the brands of 36 restaurants to different concepts, and remodeled (revamping designs to bring them up to date with the times) 61 stores. As key highlights, we have rapidly increased the number of Syabu-yo restaurants, positioned as a new style family restaurant, and Karayoshi restaurants meet take out demands. (Number of stores as of March 31, 2019: Syabu-yo 237 stores, Karayoshi 49 stores). We have accelerated the openings of staying-spot style Musashino Mori Coffee stores, established private rooms at seniors-oriented Aiya and Yumean stores, and resumed regional store openings of Bamiyan. We also made repairs to improve store environments, strengthened expenditures for expendable items, and made efforts to improve in-store experiences. The delivery business (home delivery) has recorded sales growth of + 11.5% compared to the same period of the previous year, based on improved customer order systems, shortened delivery times, and enhanced operational efficiency.

Also, in order to improve work-life balance through enhancement of the employee working environment, we have introduced store operational video manuals in addition to modification of store operating hours. Additionally, the Skylark Group will implement an on-site non-smoking policy at all group stores from September 1, 2019, prior to the adoption of the Anti-smoking ordinance, to promote the health of our customers and employees and to improve the working environment.

As for cost reduction, in an effort to control costs, the Company continuously optimized purchasing, processing and distribution. In order to further improve our supply chain efficiency, we integrated the delivery to Syabu-yo restaurants, which was delivered by its original route, into the delivery routes of existing brands, resulting in reduction of delivery cost in the whole group. In the three-month period ended March 31, 2019, cost of sales as a percent of sales was 30.4%, which was a decrease of 0.1% compared to the same period of the previous year.

For general expenses, the ratio of selling, general and administrative expenses to revenue was 63.1%, an increase of 0.4% compared to the same period in the previous year, due to the increase in the number of stores and the labor costs resulting from the rise in minimum wages and salaries for our regular employees.

As for labor costs, we believe that combined measures are necessary due to the continuously rising unit labor costs and hiring difficulties in the job market. However, we are planning to cope with the rising labor costs by improving the productivity by setting up an employee-friendly work environment by reducing workload at the restaurant sites and reinforcing business infrastructure through digitization.

Based on the above, the Company achieved revenue of 93,882 million yen (an increase of 3,777 million yen compared to the same period in the previous year), operating profit of 5,495 million yen (a decrease of 67 million yen compared to the same period in the previous year), income before income taxes of 4,176 million yen (a decrease of 278 million yen compared to the same period in the previous year), and net income attributable to owners of the Company of 2,708 million yen (a decrease of 96 million yen compared to the same period in the previous year) for the three-month period ended March 31, 2019.

EBITDA (Note 2) was 17,940 million yen (an increase of 8,942 million yen compared to the same period in the previous year), adjusted EBITDA (Note 3) was 18,640 million yen (an increase of 8,969 million yen compared to the same period in the

previous year) and adjusted net income (Note 4) was 2,986 million yen (a decrease of 118 million yen compared to the same period in the previous year). The significant increases in EBITDA and adjusted EBITDA are due to the adoption of IFRS 16 "Leases". In addition, the number of restaurants in operation increased to 3,220 as of March 31, 2019, including 11 unopened restaurants still in process of brand conversion, from 3,200 as of December 31, 2018.

(Note 1) Remodeling represents remodeling of the interior and exterior of restaurants. The Company remodels approximately 200 to 300 restaurants annually.

(Note 2) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expenses (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) – Interest income – Other financial income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

- Other financial expenses are disclosed as "Other expenses" in the Condensed Interim Consolidated Statements of Income.
- Other financial income is disclosed as "Other income" in the Condensed Interim Consolidated Statements of Income.

(Note 3) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets － Reversal of impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing

(Note 4) Adjusted net income = Net income + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Amount associated with the change in accounting estimates due to qualified listing + gain and loss from modification of financial liabilities in accordance with the adoption of IFRS 9 "Financial Instruments" (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies) + Tax effects of adjustments

(Note 5) The BCPL management agreement represents the management agreement between the Company and Bain Capital Partners LLC. (The agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(Note 6) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company's share such as advisory fee and cost associated with purchase of mementoes, etc., which do not include the amount associated with the change in accounting estimates due to qualified listing as noted at (Note 7) below.

(Note 7) As a result of qualified listing (i.e. it refers to an event under which more than 50% of the Company's voting rights are offered to the public or sold for cash consideration following the submission of the registration statement required under the applicable Securities Act or the listing of the Company's stock at the security exchange in Japan), (1) all or a part of equity-settled share-based payments (the first, second and third stock option tranches) (collectively referred to as "SO") granted to the Company's directors and employees ("executives") became exercisable, (2) all or a part of cash-settled share option plans ("Stock Appreciation Right" or "SAR") under the Cash-Settled Stock Appreciation Right Agreement ("SAR agreement") which had been entered into between the Company and the Company's executives became exercisable, and (3) the Company incurred an obligation to pay certain monetary consideration ("DC") as determined in the Deferred Compensation Agreement ("DC agreement") to a counterparty of the DC agreement, which had been entered into between the Company and the Company's certain executives. Satisfaction of the terms and conditions of qualified listing has significant impact on accounting estimates used for SO, SAR and DC. Since the Company's share has satisfied the terms and conditions of qualified listing, it resulted in change in accounting estimates used for the accounting treatments. "Amount associated with the change in accounting estimates due to qualified listing" refers to the amount of the effect on the estimates used for the accounting treatments associated with the change in estimating the vesting period and the number of rights to be forfeited relevant to SO, SAR and DC.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of March 31, 2019 is summarized as follows:

Current assets amounted to 33,396 million yen, which was a decrease of 4,340 million yen mainly due to a decrease in cash and cash equivalents, inventories and other current assets compared to the end of the previous fiscal year. Non-current assets amounted to 402,136 million yen, which was an increase of 109,201 million yen mainly due to an increase in property, plant and equipment in accordance with the adoption of IFRS 16 “Leases” compared to the end of the previous fiscal year.

Total assets amounted to 435,532 million yen, which was an increase of 104,861 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 183,544 million yen, which was an increase of 26,267 million yen mainly due to an increase in other financial liabilities in accordance with the adoption of IFRS16 “Leases”, compared to the end of the previous fiscal year. Non-current liabilities amounted to 124,748 million yen, which was an increase of 81,807 million yen mainly due to an increase in long-term borrowings and other financial liabilities in accordance with the adoption of IFRS 16 “Leases”, compared to the end of the previous fiscal year.

Total liabilities amounted to 308,293 million yen, which was an increase of 108,075 million yen compared to the end of the previous fiscal year.

Equity amounted to 127,239 million yen, which was a decrease of 3,214 million yen mainly due to a decrease of 1,486 million yen in accordance with the adoption of IFRS 16 “Leases”, dividends paid of 4,336 million yen, and an increase in net income of 2,708 million yen for the current three-month period.

(ii) Cash Flows

Cash and cash equivalents as of March 31, 2019 amounted to 18,123 million yen, which was a decrease of 785 million yen compared to the end of the previous fiscal year. Conditions and factors for each category of cash flows for the three-month period ended March 31, 2019 were as follows:

Cash flows from operating activities:

Net cash provided by operating activities was 19,037 million yen, an increase of 9,204 million yen compared to the same period in the previous year. This was primarily due to an increase of 9,003 million yen in depreciation and amortization in accordance with the adoption of IFRS 16 “Leases”, an increase of 603 million yen in the decrease in inventories, and an increase in payments of income taxes of 669 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 5,992 million yen, an increase of 1,311 million yen compared to the same period in the previous year. This was primarily due to an increase of 784 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants and an increase of 369 million yen in payments for acquisition of intangible assets including the investments in IT. We normally make payments of cash and cash equivalents one or two months after an increase in assets from investing activities.

Cash flows from financing activities:

Net cash used in financing activities was 13,827 million yen, an increase of 9,486 million yen compared to the same period in the previous year. This was primarily due to an increase of 8,498 million yen in repayments of lease liabilities in accordance with the adoption of IFRS 16 “Leases”, a decrease of 3,000 million yen in the proceeds from short-term borrowings, a decrease of 2,000 million yen in repayments of short-term borrowings, a decrease of 2,000 million yen in the proceeds from long-term borrowings, and a decrease of 2,113 million yen in payments of commissions related to borrowings.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results

Regarding the forecasts on the consolidated financial results of the current fiscal year, adjusted EBITDA and adjusted net income were included as financial measures that the Group considers useful for investors to evaluate the results of our operations, which was announced on February 14, 2019.

The Company has not changed the forecasts on the consolidated financial results for the fiscal year ending December 31, 2019, which was announced on February 14, 2019.

The forecasts are based on information available at the date of this report, and the actual results may vary materially from the forecasts in the future due to various factors.

2. Condensed Interim Consolidated Financial Statements and Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2018 and March 31, 2019 (Unaudited)

(Millions of yen)

	As of December 31, 2018	**As of March 31, 2019**
Assets		
Current assets		
Cash and cash equivalents	¥ 18,908	**¥ 18,123**
Trade and other receivables	9,714	**9,433**
Other financial assets	310	**324**
Inventories	4,282	**3,497**
Other current assets	4,522	**2,018**
Total current assets	37,736	**33,396**
Non-current assets		
Property, plant and equipment	104,447	**212,724**
Goodwill	146,098	**146,072**
Other intangible assets	6,602	**6,629**
Other financial assets	24,494	**24,730**
Deferred tax assets	8,034	**8,848**
Other non-current assets	3,260	**3,132**
Total non-current assets	292,935	**402,136**
Total assets	¥ 330,671	**¥ 435,532**

(1) Condensed Interim Consolidated Statements of Financial Position－Continued
As of December 31, 2018 and March 31, 2019 (Unaudited)

(Millions of yen)

	As of December 31, 2018	**As of March 31, 2019**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 111,379	**¥ 108,565**
Trade and other payables	26,299	**27,451**
Other financial liabilities	3,487	**30,459**
Income tax payable	2,651	**1,749**
Provisions	2,093	**1,662**
Other current liabilities	11,368	**13,658**
Total current liabilities	157,277	**183,544**
Non-current liabilities		
Long-term borrowings	21,675	**24,641**
Other financial liabilities	5,364	**84,200**
Provisions	15,080	**15,038**
Other non-current liabilities	822	**870**
Total non-current liabilities	42,941	**124,748**
Total liabilities	200,218	**308,293**
Equity		
Share capital	3,511	**3,511**
Capital surplus	56,509	**56,509**
Other components of equity	(917)	**(1,018)**
Retained earnings	71,350	**68,236**
Equity attributable to owners of the Company	130,453	**127,239**
Total equity	130,453	**127,239**
Total liabilities and equity	¥ 330,671	**¥ 435,532**

(2) Condensed Interim Consolidated Statements of Income

For the Three-Month Periods Ended March 31, 2018 and 2019 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2018	**For the three-month period ended March 31, 2019**
Revenue	¥ 90,105	**¥ 93,882**
Cost of sales	(27,476)	**(28,505)**
Gross profit	62,629	**65,377**
Other operating income	175	**310**
Selling, general and administrative expenses	(56,504)	**(59,279)**
Other operating expenses	(738)	**(913)**
Operating profit	5,562	**5,495**
Interest income	4	**3**
Other income	—	**—**
Interest expense	(1,086)	**(1,301)**
Other expenses	(26)	**(21)**
Income before income taxes	4,454	**4,176**
Income taxes	(1,650)	**(1,468)**
Net income	¥ 2,804	**¥ 2,708**
Net income attributable to:		
Owners of the Company	¥ 2,804	**¥ 2,708**
Net income	¥ 2,804	**¥ 2,708**
Interim earnings per share		
Basic (Yen)	¥ 14.24	**¥ 13.74**
Diluted (Yen)	14.21	**13.72**

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Three-Month Periods Ended March 31, 2018 and 2019 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2018	**For the three-month period ended March 31, 2019**
Net income	¥ 2,804	**¥ 2,708**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(22)	**1**
Total items that are not reclassified to profit or loss	(22)	**1**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(73)	**(5)**
Cash flow hedges	(698)	**(98)**
Total items that may be reclassified to profit or loss	(771)	**(102)**
Other comprehensive income, net of tax	(793)	**(101)**
Total comprehensive income	¥ 2,011	**¥ 2,607**
Comprehensive income attributable to:		
Owners of the Company	¥ 2,011	**¥ 2,607**
Total comprehensive income	¥ 2,011	**¥ 2,607**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity

For the Three-Month Periods Ended March 31, 2018

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2018	**¥ 3,456**	**¥ 56,470**	**¥ 109**	**¥ 367**	**¥ (484)**	**¥ (8)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**(22)**	**(73)**	**(698)**	**(793)**
Total comprehensive income	—	—	**(22)**	**(73)**	**(698)**	**(793)**
Dividends	—	—	—	—	—	—
Exercise of stock options	**47**	**33**	—	—	—	—
Share-based payments	—	**1**	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	**47**	**34**	—	—	—	—
Total transactions with owners of the Company	**47**	**34**	—	—	—	—
As of March 31, 2018	**¥ 3,503**	**¥ 56,504**	**¥ 87**	**¥ 294**	**¥ (1,182)**	**¥ (801)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2018	**¥ 67,406**	**¥ 127,324**	**¥ 127,324**
Net income	**2,804**	**2,804**	**2,804**
Other comprehensive income, net of tax	—	**(793)**	**(793)**
Total comprehensive income	**2,804**	**2,011**	**2,011**
Dividends	**(4,332)**	**(4,332)**	**(4,332)**
Exercise of stock options	—	**80**	**80**
Share-based payments	—	**1**	**1**
Transfer from other components of equity to retained earnings	—	—	—
Total contributions by and distributions to owners of the Company	**(4,332)**	**(4,251)**	**(4,251)**
Total transactions with owners of the Company	**(4,332)**	**(4,251)**	**(4,251)**
As of March 31, 2018	**¥ 65,878**	**¥ 125,084**	**¥ 125,084**

(4) Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Three-Month Periods Ended March 31, 2019 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2019	**¥ 3,511**	**¥ 56,509**	**¥ 61**	**¥ 266**	**¥ (1,244)**	**¥ (917)**
Adjustments due to changes in accounting policies	—	—	—	—	—	—
As of January 1, 2019 (after adjustments)	**3,511**	**56,509**	**61**	**266**	**(1,244)**	**(917)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**1**	**(5)**	**(98)**	**(101)**
Total comprehensive income	—	—	**1**	**(5)**	**(98)**	**(101)**
Dividends	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—
As of March 31, 2019	**¥ 3,511**	**¥ 56,509**	**¥ 64**	**¥ 261**	**¥ (1,343)**	**¥ (1,018)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2019	**¥ 71,350**	**¥ 130,453**	**¥ 130,453**
Adjustments due to changes in accounting policies	**(1,486)**	**(1,486)**	**(1,486)**
As of January 1, 2019 (after adjustments)	**69,865**	**128,968**	**128,968**
Net income	**2,708**	**2,708**	**2,708**
Other comprehensive income, net of tax	—	**(101)**	**(101)**
Total comprehensive income	**2,708**	**2,607**	**2,607**
Dividends	**(4,336)**	**(4,336)**	**(4,336)**
Exercise of stock options	—	—	—
Share-based payments	—	—	—
Transfer from other components of equity to retained earnings	—	—	—
Total contributions by and distributions to owners of the Company	**(4,336)**	**(4,336)**	**(4,336)**
Total transactions with owners of the Company	**(4,336)**	**(4,336)**	**(4,336)**
As of March 31, 2019	**¥ 68,236**	**¥ 127,239**	**¥ 127,239**

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Three-Month Periods Ended March 31, 2018 and 2019 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2018	**For the three-month period ended March 31, 2019**
Cash flows from operating activities		
Income before income taxes	¥ 4,454	**¥ 4,176**
Adjustments for:		
Depreciation and amortization	3,364	**12,367**
Loss on impairment of non-financial assets	491	**446**
Gain or loss on sale and disposal of fixed assets	181	**252**
Interest income	(4)	**(3)**
Other income	—	**—**
Interest expense	1,086	**1,301**
Other expenses	26	**21**
	9,598	**18,561**
Changes in working capital, etc.:		
Decrease in trade and other receivables	406	**278**
Decrease in inventories	182	**785**
Increase in trade and other payables	782	**996**
Other	1,082	**1,568**
Cash generated from operations	12,050	**22,187**
Interest and dividends received	0	**1**
Interest paid	(360)	**(625)**
Income taxes paid	(1,857)	**(2,526)**
Net cash from operating activities	9,833	**19,037**
Cash flows from investing activities		
Payments into time deposits	(278)	**(269)**
Proceeds from withdrawals of time deposits	278	**269**
Acquisition of property, plant and equipment	(3,777)	**(4,561)**
Proceeds from sale of property, plant and equipment	0	**—**
Acquisition of intangible assets	(697)	**(1,066)**
Proceeds from sale of intangible assets	—	**4**
Payment of loans	—	**(7)**
Payments of lease deposits and guarantee deposits	(235)	**(302)**
Proceeds from collection of lease deposits and guarantee deposits	133	**139**
Other	(105)	**(199)**
Net cash used in investing activities	(4,681)	**(5,992)**
Cash flows from financing activities		
Proceeds from short-term borrowings	7,000	**4,000**
Repayments of short-term borrowings	(4,000)	**(2,000)**
Proceeds from long-term borrowings	5,000	**3,000**
Repayments of long-term borrowings	(5,500)	**(5,500)**
Proceeds from exercise of stock options	80	**—**
Repayments of lease liabilities	(630)	**(9,128)**
Dividends paid	(4,144)	**(4,165)**
Payments of commissions related to borrowings	(2,147)	**(34)**
Net cash used in financing activities	(4,341)	**(13,827)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(27)	**(3)**
Net increase(decrease) in cash and cash equivalents	784	**(785)**
Cash and cash equivalents at the beginning of the period	15,094	**18,908**
Cash and cash equivalents at the end of the period	¥ 15,878	**¥ 18,123**

(6) Notes on the Going Concern Assumption

No items to report

(7) Notes to Condensed Interim Consolidated Financial Statements

(i) Changes in Accounting Policies

Newly-adopted accounting standards and amendments

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2018, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the three-month period ended March 31, 2019 based on the estimated average annual effective tax rate.

Annual improvement of IFRS 3 "Business Combinations", IFRS 11" Joint Agreements", International Accounting Standards (IAS) 12 "Income Taxes", IAS 23 "Borrowing Costs" is effective from January 1, 2019. The Group has applied these standards since the three-month period ended March 31, 2019.

The Group has adopted the following standards from the current three-month period ended March 31, 2019.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IFRS 9 (2014)	Financial Instruments	Accounting for financial assets that contains prepayment features with negative compensation
IFRS 16	Leases	Revised lease accounting standard
IAS 19	Employee Benefits	Accounting for plan amendment, curtailment or settlement during the fiscal year
IAS 28	Investments in Associates and Joint Ventures	Accounting for long-term investments in associates and joint ventures
IFRIC 23	Uncertainty over Income Tax Treatments	Measurement and recognition in case of uncertainty over income tax treatments

Adoption of IFRS 16 “Leases”

The Group assesses whether the contract is, or contains, a lease based on the substance of the contract even if it is not legally in the form of a lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

If a contract is, or contains, a lease, except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets and lease liabilities on the condensed interim consolidated statement of financial position at the commencement date. The Company recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis or on any other regular basis over the lease term.

Right-of-use assets are measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

An acquisition cost of a right-of-use asset includes the amount of the initial measurement of the lease liability adjusted for initial direct costs and any lease payments made at or before the commencement date, and the restoration costs required based on the lease contract. The right-of-use asset is depreciated using the straight-line method over its lease terms. The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date. The lease payments are apportioned between the financial cost and the reduction in the lease liability based on the effective interest method. The financial costs are recognized in the condensed interim consolidated statement of income.

In adopting IFRS 16, the Group used a transition method by which the cumulative effect of initially adopting this standard was recognized at the date of initial application.

The weighted average of the Group’s incremental borrowing rate applied to the lease liabilities on the condensed interim consolidated statement of financial position at the date of initial application is 0.9%.

In adopting IFRS 16, the Group has elected the practical expedient and grandfathered the assessment of whether contracts contain leases based on IAS 17 “Leases” (IAS 17) and IFRIC 4 “Determining whether as Arrangement Contains a Lease”. From date of adoption, the assessment is determined based on the provisions of IFRS 16.
The following is a reconciliation of non-cancellable operating lease contracts based on IAS 17 as of December 31, 2018 and the lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application:

（Millions of yen）

Non-cancellable operating lease contracts as of December 31, 2018	3,399
Finance lease liabilities as of December 31, 2018	4,813
Cancellable operating lease contracts, etc.	107,782
Lease liabilities as of January 1, 2019	115,994

As a result of adopting IFRS 16, in comparison to the previous accounting standard, property, plant and equipment increased 111,794 million yen, deferred tax assets increased 614 million yen, and other financial liabilities increased 111,181 million yen and other financial assets decreased 50 million yen, other current assets decreased 2,631 million yen, other non-current assets decreased 31 million yen, and retained earnings decreased 1,486 million yen.

In addition, “Repayments of lease obligations” which was presented in “Cash flows from financing activities” of the consolidated statement of cash flows for the year ended December 31, 2018, has been presented as “Repayments of lease liabilities” from the first quarter ended March 31, 2019.

Other than the above noted, the adoption of these standards had no material impact on the condensed interim consolidated financial statements.

(ii) Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The Group identifies the Restaurant Segment as the only reportable segment to be disclosed. Accordingly, the Group has not disclosed reportable segment information.

(iii) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the three-month period ended March 31, 2018	**For the three-month period ended March 31, 2019**
Net income attributable to common shareholders of the Company	¥ 2,804	**¥ 2,708**
Net income not attributable to common shareholders of the Company	—	**—**
Net income attributable to common shareholders used for calculation of basic interim earnings per share	2,804	**2,708**
Adjustment	—	**—**
Net income attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 2,804	**¥ 2,708**
Weighted-average number of common shares during the period (Share)	197,006,166	**197,083,700**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	329,013	**300,766**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	197,335,179	**197,384,466**
Basic interim earnings per share (Yen)	¥ 14.24	**¥ 13.74**
Diluted interim earnings per share (Yen)	14.21	**13.72**

(vi) Significant Subsequent Events

No items to report.